Supreme Court, U.S.
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No. 96-___

In The

Supreme Court of the United States

October Term, 1996

PHILLIP OINESS AND SUN PRODUCTS GROUP, INC.,

Petitioners,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL, INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Respondents.

Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the Court of Appeals for the Federal Circuit violated the re-examination clause of the Seventh Amendment and this Court's decision in *Gasparini v. Center for Humanities, Inc.* by re-examining the basis of a jury damage verdict it deemed excessive and by failing to apply an abuse of discretion standard.

2. Whether the Court of Appeals for the Federal Circuit is engaged in an unconstitutional pattern of re-examining jury cases *de novo* without giving any real deference to the jury or the Article III judge which has the role of determining facts and reviewing those factual determinations, thereby improperly turning the Court of Appeals for the Federal Circuit into the *de facto* trial court for patent cases.

3. Whether the Court of Appeals for the Federal Circuit, in refusing to apply the law of the Tenth Circuit, on the standard of review and the sufficiency of evidence for jury damage determinations, has exceeded the scope of its limited subject matter review authority.

4. Whether the procedure used by the Court of Appeals for the Federal Circuit to review jury verdicts is fundamentally flawed because of a failure to follow this Court's decisions, by conducting *de novo* fact re-examinations of jury verdicts, by misstating evidence, by failing to accord deference to the fact determinations of the jury, by failing to accord deference to the evidence review decision of the trial court, by making arbitrary independent fact findings without a complete record, and by making a decision inconsistent with its own prior decision on the same case.

PARTIES TO THE PROCEEDING BELOW

The parties named in the caption are the only parties to this action.

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PETITION FOR WRIT OF CERTIORARI

Petitioners hereby request this Court issue a writ of certiorari to review a judgment of the United States Court of Appeals for the Federal Circuit entered July 2, 1996.

OPINIONS BELOW

The decision of the Federal Circuit Court of Appeals below, entitled *Phillip Oiness and Sun Products Group, Inc. v. Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd. d/b/a New Atico, a/k/a Atico,* is reported at 88 F.3d 1025 (Fed. Cir. 1996). The decision of the United States District Court for the District of Colorado entitled *Phillip Oiness and Sun Products Group, Inc. v. Walgreen Company, Atico International incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd. d/b/a New Atico, a/k/a Atico* was not published.

JURISDICTION

The judgment sought to be reviewed was entered on July 2, 1996. A petition for rehearing and suggestion for rehearing en banc was denied by the United States Court of Appeals for the Federal Circuit ("Federal Circuit") on October 1, 1996.

Jurisdiction exists for a review of the judgment of the United States Court of Appeals for the Federal Circuit

under 28 U.S.C. § 1254(1). The District Court below had jurisdiction premised upon, *inter alia*, 28 U.S.C. § 1338(a).

CONSTITUTIONAL PROVISIONS AND STATUTES CITED

Article I, Section 8 of the United States Constitution:

> The Congress shall have the power . . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Seventh Amendment to the United States Constitution:

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

A. General Background

This case began on April 25, 1990 when Phillip Oiness and Sun Products Group, Inc. (collectively "Petitioners") charged Walgreen Company along with Atico International, Inc. and New Atico International, Ltd (collectively "Respondents") with, *inter alia*, infringement of U.S. Patent No. 4,544,203 (the " '203 patent") for a small folding "headchair" designed for use while reclining, for example, at the beach, the park, and elsewhere.

B. Proceedings Below

A two week trial began on April 8, 1991 after which the jury found the '203 patent to be valid and wilfully infringed by the defendants. That jury awarded $50,000 in damages for lost profits in the retail market and $250,000 in damages for lost profits in the premium market. See *Oiness v. Walgreen Co.*, 774 F.Supp. 1277 (D.Colo. 1991), *aff'd in part*, 980 F.2d 742 (Fed. Cir. 1992) *cert. denied*, 113 S.Ct. 1849 (1993).

On the first appeal, the Federal Circuit affirmed the liability finding but remanded for a new trial on lost profit damages noting that the Petitioners' "witnesses testified to over $5 million in retail damages, over $16 million in premium product damages, and $500,000 in advertising specialty damages, for a total of over $22 million. Walgreen's witness admitted that injury to the advertising specialty market alone ranged from $250,000 to $500,000." 980 F.2d at 741. On that record the court found no substantial evidence supporting the jury's damage award of $300,000 and concluded that the jury instructions may have been confusing. A 21-22.

A new jury trial solely on the issue of damages began on October 11, 1994. On October 18, 1994 the jury awarded damages of $1,101,240 as lost profits in the retail sales market, $1,400,000 as lost projected profits in the retail sales market, $750,000 as lost projected profits in the premium incentive market, and $8,000,000 as lost projected profits in the advertising specialty market for total damages of $11,251,240. A 50. A Judgment on that verdict was entered on October 20, 1996. A 47.

On December 6, 1994, in a sixteen page decision, the District Court denied the Respondent's Motion for New Trial in View of Incorrect Jury Instruction, Motion for Remittitur or in the Alternative for New Trial for Lost Profits, and Motion for Renewal of Judgment as a Matter of Law or in the alternative, Remittitur or a New Trial for Lost Projected Profits. The District Court also denied Petitioners' Motion for Increased Damages and Prejudgment Interest Rate, A 27.

On July 2, 1996 the Federal Circuit reversed the jury verdicts on damages but remanded for retrial only on the issue of actual damages because the jury award exceeded Walgreen's sales, with a suggestion for remittitur in the amount of $220,567. Verdicts for damages for lost profits in the retail market, the premium market and the advertising specialty market were simply reversed, A 1. Respondents took the position, recently adopted by the District Court, that no re-trial was possible on the issue of damages for projected lost profits because "The Federal Circuit specifically reversed the jury award of projected lost profits . . . " A 52.

C. The Decision of the Federal Circuit Court of Appeals

The Federal Circuit remanded for a new trial on actual damages, A 10, but "reversed the jury award" on "projected lost profits," A 14, 15, 17. On actual damages the Federal Circuit claimed to be reviewing "for an abuse of discretion the decision denying a grant of remittitur or a new trial because of an excessive damage award." A 5.

However, there is no mention in the opinion of the District Court's review of the evidence or the basis for its denial of Respondents' motions. Also absent is any finding that the District Court abused its discretion in any way on this point.[1] Instead the Federal Circuit usurps the function of the jury and the power of the Article III district judge to determine and review the facts, subject only to a review for abuse of discretion.

While agreeing that "[t]he measurement of actual damages for patent infringement is a question of fact," A 6, and finding that "the district court properly instructed the jury . . . " A 7, the Federal Circuit immediately proceeded to re-examine *de novo* those facts decided by the jury. In addition to improperly re-examining facts found by the jury, the Federal Circuit also grossly misstated the facts in the case which then were used to justify reversal of the verdicts. The Federal Circuit based its action on re-examined *faux* facts.

At every point in its review of the verdict the Federal Circuit was reexamining evidence according to its own point of view, never once mentioning the District Court's review of the evidence and without giving any deference either to the jury or to the trial judge's findings and determinations. Instead the Federal Circuit mischaracterized evidence, selectively criticized evidence, ignored

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[1] However, the Federal Circuit did make a clear finding of abuse of discretion of the District Court on another matter, not the subject of this petition, namely the award of prejudgment interest on the entire judgment. A 17.

evidence which supported the jury's and the judge's findings and at all points determined the credibility of evidence, expressing their value judgment using such words and phrases as: "credible," "reliable," "suspect," "sound reasoning," "most accurate," "shows conclusively," "calls into question," and "distort." The Federal Circuit additionally interjected its own curious position on economic demand into its independent analysis and itself speculated what other "market forces" "may have" or "might have" done, in an effort to justify their reversal of the jury's findings on damages. This is a gross ursupation of the jury's function to find and weigh evidence and violates Petitioner's constitutional right to a jury trial and is a blatant example of a recent pattern of the Federal Circuit in re-examining facts in jury cases.

The Federal Circuit weighed evidence to determine what was credible, reliable and accurate in its own view. The Federal Circuit claimed that "[t]he record *shows conclusively* that Walgreen sold 142,230 Headrests in the retail market," A 8, and that a Walgreen witness "presented *unrebutted* testimony that [the records they presented] were the *most accurate* method to determine the number of Headrests Walgreen had available for sale" and was "the most *reliable* record" A 9. This fact finding ignored the contrary testimony of several witnesses and two experts, including Walgreen's own retailing expert. Aside from the process of weighing evidence as shown in these examples, the Federal Circuit was incorrect on every stated point. Evidence the Federal Circuit relied upon was not in the record or was wrenched out of context. Evidence it claimed was not presented was actually presented, evidence which it claimed was unrebutted

was entirely in conflict with other evidence. An appellate determination of what evidence is "reliable," "most accurate," "conclusive," or "unrebutted," is an unconstitutional re-examination of facts.

The Federal Circuit, for example, improperly and incorrectly determined the record to be "without proof that every store sold Headrests," "no assessment . . . of whether Headrest sales fell above or below established square foot sales average[s]", claimed that only three pictures were shown to establish sales, A 7, that no evidence was presented of "actual sales combined with *reliable* economic analysis of demand, supply, and price over time", A 8, and claimed to base their decision on the Petitioners' "utter failure . . . to present proof of lost profits," A 9. All these assertions of what the evidence did not show were simply contrary to the evidence. However, the Federal Circuit either misunderstood or most likely disregarded the record evidence.

In simply "revers[ing] the jury award for projected lost profits in the retail, advertising specialty, and premium markets," A 14, the Federal Circuit did not discuss the proper standard of review or once mention the review of the evidence by the District Court and the decisions on the Respondents' motions. The Federal Circuit simply reexamined the evidence and made findings which were not only inaccurate but also required improper credibility and weight determinations.

First the Federal Circuit reviewed the testimony of MacLachlan, Petitioners' expert in the retail market. The Federal Circuit incorrectly found that he "admitted that

he found very little sales history to support his projections," and that he had used "a *'mere'* 450% increase in future sales for several years, with another reduction to 150% growth near the end of the patent term," A 12. This "finding" was the result of an egregiously false conclusion about the testimony of MacLachlan, an eminently known and respected expert in the retail marketing discipline, and in absolute contradiction to an exhibit summarizing growth patterns to which he testified. Either the real evidence was intentionally ignored or it was completely misunderstood. The Federal Circuit decided that "MacLachlan's entire *premise is flawed.*" Then the Federal Circuit introduced into the case its own unsupported and completely absurd evidence, an alleged "economic axiom that demand curves slope downward" which it said *"calls into question* the doubling of demand for a product year after year." The Federal Circuit then decided that "MacLachlan offered *no sound economic reasoning* to support his assumption that Headchair sales would quadruple and double throughout the life of the patent." A 13. This assertion was absurd since there was not one iota of such testimony of doubling or quadrupling of demand year after year. Instead MacLachlan testified to a 10% growth rate shortly after product introduction, steadily declining to nothing by the end of the patent term. The Federal Circuit then said that "MacLachlan's *assumption is also flawed* because he had no evidence to show" actual sales to customers rather than simply initial sales languishing on store shelves. The Federal Circuit arbitrarily ignored testimony of other witnesses concerning that very matter, making selective weight judgments about testimony. The Federal Circuit continued its interpretation and weighing

of evidence in deciding that the Petitioners had not shown *"reliable"* pre- infringement or post-infringement growth rates and that initial figures *"distort* MacLachlan's . . . projections," A 13. Then the Federal Circuit discussed what they thought MacLachlan did not do and claimed incorrectly that he relied on *"personal conjecture"* about the employment of manufacturers representatives and trade show attendance. Finding that MacLachlan's testimony relied on *"faulty assumptions"* and lack of *"reliable* economic testimony," his testimony was rejected entirely and the verdict was simply reversed by labeling it "speculative."

The Federal Circuit then reviewed the credibility of Petitioners' expert in the advertising specialty market, Holt, a uniquely qualified expert in the field, claiming incorrectly that "Holt admitted that he did not take into account" the previous infringement by another party, B&E Sales. In fact, Holt clearly testified as to his specific consideration of B&E's influence. The Federal Circuit then asserted "[t]his oversight . . . *fatal* to Holt's predictions. . . . *his projections . . . are suspect.*" A 14. The Federal Circuit went on to speculate that "other market forces," rather than Walgreen's proven wilful infringement, *"might"* have forced a decline in Headchair prices, A 15. Finally, the Federal Circuit incorrectly claimed that Petitioners did not show an "established business in the advertising specialty market or a reliable basis for Holt's predictions . . . " In doing so the Federal Circuit disregarded the substantial testimony of an established advertising specialty business testified to by several witnesses, confirmed by countless samples presented to the jury

(color photographs of which were even part of the appellate record) and confirmed by Holt's review of Petitioners' specific dealings with, among others, the largest distributors in the industry. There was no acknowledgment by the Federal Circuit of other testimony on this market or to the District Court's review of the evidence. Thus weighing, sifting and disregarding of evidence was used as the sole basis for reversing the jury verdict in this market.

The Federal Circuit also assessed the credibility of Petitioners' expert in the premium incentive market, Kling, in reversing the jury verdict in this market. The Federal Circuit again incorrectly claimed that Kling did not factor B&E into his calculations, A 16. Then the Federal Circuit mischaractized testimony about a particular premium customer (Carnation) to claim that evidence did not show a link between Walgreen's infringement and price decreases which destroyed the premium market, A 16. The Federal Circuit failed to acknowledge other far more detailed and relevant evidence presented on the issue but then speculated that "other market forces *may also have caused* the decreases," A 17. Claiming there was no "*credible* economic *testimony*" the Federal Circuit reversed the jury verdict in this market also.

REASONS FOR GRANTING THE WRIT

I.

The Decision below Directly Conflicts with this Court's Decision in *Gasparini v. Center for Humanities, Inc.* on the Appellate Review Process and the Standard of Review for Jury Damage Verdicts and Violates the Seventh Amendment's Prohibition on Appellate Court Re-examination of Facts Determined by a Jury and a Writ of Certiorari Is Necessary to Correct this Error.

Gasparini v. Center for Humanities, Inc., 116 S.Ct. 2211 (1996) held that the Seventh Amendment re-examination clause permitted a court of appeals to review an allegedly excessive verdict but only by applying an abuse of discretion standard to the district court's determination of that matter. Because "[t]rial judges have the 'unique opportunity to consider the evidence in the living courtroom context' . . . while appellate judges see only the 'cold paper record' . . . appellate review . . . when . . . excessiveness is asserted on appeal [the appellate standard would be] abuse of discretion. . . . 'If we reverse, it must be because of an abuse of discretion. . . . The very nature of the problem counsels restraint. . . . We must give the benefit of every doubt to the judgment of the trial judge.' " [Citations omitted] *Id.* at 2225. Prior to this decision the Court had not expressly held that the Seventh Amendment allows appellate review of a district court's denial of a motion to set aside an award as excessive. *Id.* at 2223. Thus, an appellate court may review an allegedly excessive verdict but may not make a *de novo* review of the evidence and may not weigh the evidence. Instead, the appellate court may only determine if the

district court abused its discretion in approving the verdict.

In reviewing a denial of a motion to set aside a verdict for abuse of discretion standard the appellate court is constrained by the Seventh Amendment and may not routinely re-examine facts tried by a jury. *Byrd v. Blue Ridge Rural Elec. Cooperative, Inc.*, 356 U.S. 525, 537, 78 S.Ct. 893, 901, 2 L.Ed.2d 953 (1958) discussed the distribution of "trial functions between judge and jury and, under the influence – if not the command – of the Seventh Amendment, [which] assigns the decisions of disputed questions of fact to the jury." *Gasparini* held that the Seventh Amendment "also controls the allocation of [appellate] authority to review verdicts." 116 S.Ct. at 2222.

As explained by *Gasparini*, the Seventh Amendment does not permit an appellate court to review a jury damage award by examining and weighing evidence. It may only review for abuse of discretion a trial court's review of the verdict. Here, the Federal Circuit departed from this limitation and instead made an examination of the evidence, deciding what was credible, reliable, questionable, or conclusively proven. It even speculated on what "might" have been and asserted its own erroneous economic theory. This cannot be done by an an appellate court without great violence to the Seventh Amendment's re-examination clause.

The district court determined that substantial evidence to support the damages awarded was presented from which a reasonable jury could have rendered the verdict reached by the jury, citing *Brooktree Corp. v.*

Advanced Micro Devices, Inc., 977 F.2d 1555, 1569 (Fed. Cir. 1994), and determined that the Respondents "failed to show that on the entirety of the record reasonable persons could not have found the facts necessary to support the jury's verdict," A 45. The District Court reviewed the evidence in the light most favorable to the non-moving party, *Kearns v. Chrysler Corp*, 32 F.3d 1541, 1548 (Fed. Cir. 1994). The District Court found "[t]he jury's award was not grossly excessive, monstrous or based only upon speculation or guesswork." Instead the district court found that "[p]laintiffs presented evidence on every aspect of the damages they believe they suffered and the jury returned a verdict for an amount less than the amount which Plaintiff requested," A 45.

If the limits of *Gasparini* are not applied to the Federal Circuit, it will re-examine facts and recast them in a way which supports its own philosophical or biased position on the amount of damages. Such a result cannot be permitted. It is too easy for advocates to mislead an appellate court into error if it has sweeping power to re-examine and re-determine weight and credibility of evidence. This also strikes at the heart of the jury's power to determine facts and set damage amounts, an important safeguard provided by our founding fathers.

II.

The Decision below Is Part of a Pattern of Cases in Which the Federal Circuit Has Abandoned Established Rules and Procedures for Review of Jury Verdicts and Has Taken upon Itself the Role of Trier of Fact and a Writ of Certiorari Is Necessary to Correct this Error.

This is not the only case where the Federal Circuit engages in improper fact re-examination and does not afford jury verdicts any deference on matters of fact much less the "substantial deference" it previously said should be afforded. Near the time of its inception, the Federal Circuit gave proper deference to jury verdicts and applied the correct standard of review. Citing this Court's language in *Lavender v. Kurn*, 327 U.S. 645, 653, 66 S.Ct. 740, 744, 90 L.Ed. 916 (1946), the Federal Circuit noted that:

> But where, as here, there is an evidentiary basis for the jury's verdict, the jury is free to discard or disbelieve whatever facts are inconsistent with its conclusion. And the appellate court's function is exhausted when that evidentiary basis becomes apparent, it being immaterial that the court might draw a contrary inference or feel that another conclusion is more reasonable.

Verdegaal Bros., Inc. v. Union Oil Co. of California, 814 F.2d 628, 631 (Fed. Cir. 1987).

The Federal Circuit has since departed from the established and correct standards of review of jury verdicts. The departure was noted by Judge Newman in her dissent in *Malta v. Schulmerich Carillons, Inc.*, (Newman, dissenting) 952 F.2d 1331, 1334 (Fed. Cir. 1991). Judge Newman warned that the proper role of the court was to

determine only "whether there is evidence upon which the jury could properly return a verdict" and warned that in that case "the panel majority has ignored much of the evidence that was presented at trial." *Id.* Judge Newman reminded the Federal Circuit that issues depending upon the weight and probative value of the evidence were to be determined by the jury and that the role of the appellate court was not to conduct a trial *de novo.* She saw the appellate court behaving hostilely towards a record in *Malta* saying it would be a

> "misunderstanding of our appellate role for this court to determine what is supported by the evidence as a whole. . . . When the relationship between trial and appellate tribunals is distorted, the consequences dis-serve the public and the courts: 'The principal consequences of broadening appellate review are two. Such a course impairs the confidence of litigants and the public in the decisions of the trial courts, and it multiplies the number of appeals.' C. Wright, *The Doubtful Omniscience of Appellate Courts*, 41 Minn.L.Rev. 751, 779 (1957)." *Id.* at 1332.

Patent litigants only may appeal to the Federal Circuit; there is no other court to which they may directly go. The number of jury verdict reversals . . . and the accompanying improper *de novo* factual analysis conducted by the Federal Circuit, has made the trial of a patent infringement matter only a "tryout on the road" and not the "main event" contrary to the Court's statement to the contrary in *Anderson v. City of Bessemer City*, 470 U.S. 564, 574-75, 105 S.Ct. 1504, 1511-12, 84 L.Ed.2d 518 (1985). Patent litigants who have prevailed at trial

now understand that the process is not over, and that beyond a review for *legal error*, the Federal Circuit will retry the facts as it sees fit as was done in the instant case.

Since its course change, the Federal Circuit has shown itself hostile towards other records upon its *de novo* factual review. Ignoring Judge Newman's warning, the Federal Circuit in 1992 laid out their approach to reviewing jury verdicts for "substantial evidence." It announced in *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821 (Fed. Cir. 1992)

> A finding of fact must stand unless appellant shows that on the *entirety of the evidence* of record, *including that which detracts from the weight of the favorable evidence*, and taking into account the required quantum of proof, no reasonable juror could have made the finding. [Emphasis supplied.]

Three distinct problems exist with this radical approach; First, the Federal Circuit is improperly looking at the *weight* of the evidence. Second, it looks for *that which detracts from the weight* of the evidence, instead of looking at the evidence "in the light most favorable to the [appellee,] drawing reasonable inference favorable to the [appellee,] without determining credibility of witnesses, and without substituting [its] choice for that of the jury between conflicting elements in the evidence," as previously enunciated by the Federal Circuit in *Dana Corp. v. IPC Ltd. Partnership*, 860 F.2d 415, 417 (Fed. Cir. 1988), cert. denied, 490 U.S. 1067, 109 S.Ct. 2068, 104 L.Ed.2d 633 (1989). Third, as will be discussed *infra*, the Federal Circuit can only pretend to review the *entirety of the evidence* because it actually prohibits the appellee from presenting the *entirety of the evidence*.

Other recent appellate abuses resulting from the Federal Circuit's departure from established standards may be seen in such cases as *Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575, 1583 (Fed. Cir. 1995) where the court states that "the 'substantial evidence' standard requires us to *decide for ourselves* whether *reasonable* jurors viewing the *evidence as a whole* could have found the facts needed to support the verdict . . . " (emphasis supplied). This shows the Federal Circuit's intention to be the ultimate trier of fact.

In *Imagineering, Inc. v. Van Klassens, Inc.*, 53 F.3d 1260, 1263 (Fed. Cir. 1995), the jury court found against the defendant on wilful trade dress infringement, false advertising, and unfair competition. The jury awarded $860,000 in compensatory damages, and $4 million in punitive damages. On appeal, the Federal Circuit re-weighed the evidence the jury had considered in determining the punitive award. After considering the evidence, the Federal Circuit bypassed the jury's determination and concluded that the damage award was excessive: "[t]his amount exceeds a reasonable relationship to Imagineering's injury." *Id.* Additionally, after re-examining the evidence, the Federal Circuit voided the jury's determination of the degree of malice exercised by the defendant, and substituted its own opinion: "[f]urthermore, while the record supported a finding of bad faith against [defendant], the evidence hardly justified a finding of conduct so malicious as to warrant increasing damages more than 400%." *Id.* In re-formulating the jury's verdict, the Federal Circuit never discussed whether the trial judge had abused his discretion by approving the award. Instead, the Federal Circuit ignored

the trial judge's decision and merely substituted its own factual determination for that of the jury's.

In *Modine Mfg. Co. v. Allen, Inc.*, 917 F.2d 538, 540 (Fed. Cir. 1990), a jury found Allen had willfully infringed a patent and awarded Modine $55,634,153. Allen moved for JNOV or a new trial based on excessive damages. The district court denied the motion for JNOV, but ordered a remittitur for $14,000,000 which Modine accepted.

The Federal Circuit ignored the judge's denial of the motion for JNOV and claimed for itself the right to examine the evidence *de novo, Id.* at 541 (*citing Verdegaal Bros., Inc. v. Union Oil Co.*, 814 F.2d 628, 631 (Fed. Cir.), *cert. denied*, 484 U.S. 827, 108 S.Ct. 95, 98 L.Ed.2d 56 (1987). The Federal Circuit then directly re-examined the evidence claiming to be looking for substantial evidence. "Our review of a denial of JNOV is limited to whether the jury's factual determinations were supported by substantial evidence and, if they were, whether 'those findings cannot support the legal conclusions which necessarily were drawn by the jury in forming its verdict.' " *Id.*

While not a jury case, *In re Beattie*, 974 F.2d 1309 (Fed. Cir. 1992) illustrates the tendency of the Federal Circuit to ignore and recast facts as it suits them. Dissenting Judge Clevenger noted at 1315 that "[T]he majority simply avoids the factual evidence in the record . . . Rather than come to grips with the factual support the declarations provide for the proposition . . . the majority simply dismisses the declarations in their entirety . . . "

It is unfair and unworkable to require an appellee to re-prove its case to the Federal Circuit under this

improper review standard for several reasons. First, the appellee should have no burden of persuasion on appeal. Second, the forum is not amenable to re-proving a case; and third, the Federal Circuit will only allow specific record portions, requiring that each page of the record included in the appendix have a specific reference in the brief and that no block cites to the record be made. Given the limited record inherent in the review procedure, it is no wonder that the Federal Circuit can form a different opinion of the record than the trial judge who was present throughout the proceedings. It is small wonder that the Federal Circuit can so severely misapprehend the evidence.

The Federal Circuit must be instructed on the deference to be given jury determinations so that litigants do not have to prove their case and their damages twice, once to the jury, and then again to the appeals court, or even repeatedly to the appeals court. Apparently, the Federal Circuit is no longer clear on this issue and its review for "substantial evidence" is no longer the same standard set by this Court nor is the Federal Circuit applying any standard evenly or consistently.

In this case, the Federal Circuit found all projected lost profits speculative but only after it re-examined facts found by the jury and consciously and deliberately determined to disregard the evidence supporting damages. This conclusion was based not upon a finding that Petitioners had not, as a matter of law, proved himself entitled to projected lost profits in any amount. Rather, the Federal Circuit only disagreed with the figures presented

and concluded that the damages presented were speculative but only after it re-examined the weight and credibility of Petitioners' evidence and then decided to disregard it. The Court did not discuss the District Court order denying Respondents' JMOL and new trial motions, made no findings that the trial judge abused his discretion, and gave no deference whatsoever to either the judge's discretion, or the jury's verdict.

The fact of damages was not disputed by the parties before the District Court. In fact, Walgreen's' own experts had testified in both trials that damages had occurred. The only dispute was over the amount of damages about which the parties presented conflicting evidence. The jury found the facts and resolved the dispute. But the Federal Circuit had a different opinion.

III.

The Decision below Did not Follow the Law of the Tenth Circuit on the Standard to Be Used in Appellate Review of Denials of Motions for JMOL on an Area of Law Outside the Federal Circuit's Jurisdiction and a Writ of Certiorari Is Necessary to Correct this Error.

Tenth Circuit law on the standards to be applied on review of a JNOV (now JMOL) is clear:

> A JNOV is appropriate only if "the evidence points but one way and is susceptible to no reasonable inference which may sustain the position of [the nonmoving plaintiff]." (citing, *Symons v. Mueller Co.*, 493 F.2d 972, 976 (10th Cir.1974)).

Devery Implement Co. v. J.I. Case Co., 944 F.2d 724, 729 (10th Cir. 1991)

In considering the propriety of granting a directed verdict, the court may not weigh the evidence or make credibility determinations. *Hurd v. American Hoist and Derrick Co.*, 734 F.2d 495, 498-99 (10th Cir. 1984). The court may not weigh the evidence or pass upon the witnesses' credibility, or substitute its judgment for that of the jury and "the question is not whether there is literally no evidence supporting the party against whom the motion is directed but whether there is evidence upon which the jury could properly find a verdict for the party." *Id.*

The underlying philosophy is one of minimizing interference with the jury. *Yazzie v. Sullivent*, 561 F.2d 183, 188 (10th Cir. 1977). Thus the reviewing court is not at liberty to set aside the jury verdict merely because the reviewing judges feel that the opposite result seems more reasonable. *Thompson v. Kerr-McGee Refining Corp.*, 660 F.2d 1380, 1389-90 (10th Cir. 1981); *Frank v. Bloom*, 634 F.2d 1245, 1254 (10th Cir. 1980).

Since the grant of such a motion deprives the non-moving party of a determination of the facts by a jury, judgment notwithstanding the verdict should be cautiously and sparingly granted. *Joyce v. Atlantic Richfield Co.*, 651 F.2d 676, 680 (10th Cir. 1981). If the evidence and inferences considered in such manner would permit reasonable men in the exercise of fair and impartial judgment to reach different conclusions respecting the critical issue, the motion should be denied. *Stringer v. Dilger*, 313 F.2d 536 (10th Cir. 1963).

Additionally, *State Office Systems v. Olivetti Corp. of America*, 762 F.2d 843 (10th Cir. 1985), establishes the governing law on a review of expert and other testimony to establish lost profit damages in the circuit where this case was tried. It also shows that the trial judge acted properly in denying the Respondents' motions. The Federal Circuit has improperly disregarded the law of the circuit in reversing the jury verdicts.

IV.

The Procedure used by the Federal Circuit to Review the Jury Verdict Is Fundamentally Flawed, Fails to Follow this Court's Decisions by Conducting *De Novo* Fact Re-Examinations of Jury Verdicts, Grossly Misstates Evidence, Fails to Accord Any Deference to the Fact Determinations of the Jury and Fails to Accord Any Deference to the Evidence Review Decision of the Trial Court, Made Arbitrary Independent Fact Findings Without a Complete Record, and is Inconsistent with a Prior Decision of the Federal Circuit on the Same Case and a Writ of Certiorari Is Necessary to Correct this Error.

In no way did the Federal Circuit determine that findings denying the JMOL or new trial motion were an abuse of discretion. Instead, the Federal Circuit simply substituted its own interpretation of the evidence based upon a record which at best gives an out of context view of the evidence. The impropriety of the Federal Circuit's characterization of its mandate upon review of JMOL or denial of a new trial motion is underscored by the fact that by its own rules, the Federal Circuit does not and cannot review complete record or the "evidence as a

whole". The record submitted on appeal is severely limited by the rules of the Federal Circuit.[2] Appellees are barred from presenting all the trial evidence. They may only attach isolated pages and exhibits to which they specifically cite in their limited brief. This is a major reduction from the record allowed by Rule 30(a)(4) of the Federal Rules of Appellate Procedure.[3] Because appellate briefs are limited in length, not every potentially relevant piece of evidence from a long and complex trial can be recited and referenced; only those believed at the time to be most important remain after the brief is finally revised and reduced to fit the strict briefing limits of the Federal Circuit. In contrast, the District Court has the benefit of actually hearing and seeing all the witnesses and exhibits. The Federal Circuit under the best circumstances, cannot fully understand the evidence so as to determine credibility and weight. The Federal Circuit has imposed restrictions on what can be presented to it so as to guarantee that it will not be burdened with the entire record or even relevant parts of the record that are not specifically cited in the briefs. Under these conditions, it is

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[2] F. Cir. R. 30(a)(2) prohibits submission in an appendix of any pages of the transcript which are not expressly cited in the briefs. "CONTENTS; INDISCRIMINATE REFERENCING TO BLOCKS OF THE RECORD PROHIBITED:. . . . Parts of the record authorized by Rule 30(a)(4) of the Federal Rules of Appellate Procedure *may not be included* in the appendix *unless they are actually referenced* in the briefs. Indiscriminate referencing in the brief to blocks of record pages and *inclusion* in the appendix *of pages not required to be referenced* are prohibited . . . " [Emphasis supplied.]

[3] F. R. App. P. 30(a)(4) provides that the Appendix on appeal may include "any other parts of the record to which the parties wish to direct the particular attention of the court."

impossible for the Federal Circuit to have done the re-examination they claimed to have done.

The Federal Circuit has arrogated to itself the right to review the entire record *de novo* and claims knowledge and wisdom beyond that of the jury and judge who actually heard all the witnesses and reviewed all the exhibits. However, there is no possibility that a transcript in the thousands of pages with exhibits numbering in the hundreds can be fully "actually referenced" in a brief which is limited to fifty pages.[4]

For the Federal Circuit to limit the trial record it will allow an appellee to submit to it and then claim to be reviewing the entire record as it re-examines the case is a gross denial of due process. It presents appellees a potential no-win situation in which they are required to re-present and re-argue in fifty pages an entire complex trial which took many days to present. Such a process is fundamentally unfair and unworkable. It also shifts the burden from the appellant (who should be obligated to show why the verdict should be set aside) to an appellee who now must re-try its case before the Federal Circuit in a forced abbreviated fashion. This re-run of the trial in "hobble skirts" exemplifies why the Seventh Amendment wisely prohibits re-examination of facts by an appellate court and why only district judges's have the right to review all the evidence for sufficiency, subject only to a cross check for abuse of discretion.

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[4] F. Cir. R. 28(c) ". . . . Principal briefs may not exceed 50 pages in length. . . . "

The Federal Circuit in this case so miscomprehended the evidence that its opinion claimed that facts were different than actually shown in the record, even the truncated, cold paper record available to it. The Federal Circuit misunderstood what evidence was presented, claimed that matters were proven which were not shown by any evidence, contradicted evidence in the record by claiming it was not presented, and determined disputed issues of fact bearing on the amount of damages. How this happened in a system dedicated to a rule of law – not man – is difficult to discern but the fact of it occurring highlights the dangers of appellate courts taking upon themselves functions which they are neither entitled nor equipped to perform. It is for this reason that the Seventh Amendment's re-examination clause exists. It is to prevent this that *Gasparini* established careful limits on appellate review of allegedly excessive jury awards and why the only proper standard for an appellate court to apply is an abuse of discretion standard considering the trial court's review of the evidence.

The Federal Circuit's opinion here did not find that the district court abused its discretion in denying the Respondents' motions for new trial or motion for a JMOL. The opinion did not find that evidence to support the verdict was not presented. The opinion did not find that the evidence was inadmissible, the Federal Circuit did not even criticize the admission of expert testimony under *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S.Ct. 2786 (1993). The Federal Circuit simply declared virtually all the evidence "speculative" by determining what was and was not "credible," "reliable,"

"accurate," etc. in order to justify disregarding the verdict.

The Federal Circuit has reviewed this case twice on appeal and has reached completely inconsistent results because it capriciously engages in its own fact finding in violation of the Seventh Amendment. In the first trial of this case in 1991, the jury found willful infringement and awarded a total of $300,000 in damages for lost profits in three distinct markets and the trial court trebled the damages award. In its first appellate decision the Federal Circuit stated "[t]his court reviews the jury's findings for reasonableness under the substantial evidence standard of review" A 20. From its review of the evidence on that occasion, the Federal Circuit found no substantial evidence supported only a $300,000 damages verdict for all three markets in light of evidence presented by Oiness of over $22 million in actual damages and in light of Walgreen's' own witnesses having admitted to damages, A 21. The opinion suggested that the jury instructions were confusing and remanded for a new trial on damages. The remand was certainly because the Federal Circuit thought the damage award was too small; if it found it too large, a remittitur could have been ordered; if damages were unfounded, as suggested by the second opinion, then a new trial would not have been ordered.

In the second trial of this case in 1994, the jury awarded $11,251,240 in damages. The jury returned special verdicts for each of the markets involved. Walgreen moved for JMOL or alternatively for a new trial claiming the award was excessive. The judge denied both motions, finding substantial evidence to support the award. In the

second appeal, the Federal Circuit reversed the jury verdicts on damages but remanded for retrial only on the issue of actual damages with a suggested remittitur of $220,567. Verdicts for damages for lost profits in the retail, premium and advertising specialty markets were simply reversed. In essence, the Federal Circuit has taken the jury determinations that Oiness would have profited $1.4 million in the retail market, $750,000 in the premium incentive market, and $8 million in the advertising specialty market, and substituted its own determination of $0 in damages in each of these markets. A more dramatic and inconsistent re-examination of the facts tried by the jury could not have occurred.

These two radically different treatments of the evidence by the Federal Circuit show that it improperly engages in its own separate fact finding and has abandoned its proper appellate function. The Federal Circuit appears to give no deference to the fact finding and damage setting function of a jury and accords no deference to the review process of the district court. Instead, the Federal Circuit re-examines contested facts and makes new determinations of damages based upon its own predilections. The Federal Circuit takes such an ad hoc approach to fact finding that it is not even consistent in results with two reviews of the same case. The Federal Circuit approach evidences a hostility to the jury system which is not permitted by the Seventh Amendment or this Court's decisions on proper appellate review. This case shows that the Federal Circuit is confused in its own process. Not only did the Federal Circuit come to inconsistent factual positions in the two appeals of this case but it took completely inconsistent action, exceeding its

appellate authority by simply striking down jury findings with which it disagrees, then denying a right to retrial on the major damage claims. This shows that the Federal Circuit actually substitutes its own fact finding for the fact finding of the jury.

This Federal Circuit decision violates Article I, Section 8 of the Constitution by discouraging rather than "promote[ing] the progress of science and the useful arts" because it allows wilful patent infringers to avoid significant damages a jury has determined should be paid. This is a direct result of the Federal Circuit re-examining facts found by a jury in violation of the Seventh Amendment.

CONCLUSION

The Writ of Certiorari requested here to review the judgment of the United States Court of Appeals for the Federal Circuit should be granted to resolve a conflict between the decisions of this Court and the Federal Circuit on the scope of appellate review of jury verdicts for damages and the standard to be applied in that review process. The Writ should be granted to correct a clear departure from the mandates of the re-examination clause of the Seventh Amendment evidenced by this case and a clear pattern of the Federal Circuit in disregarding juries' factual determinations and trial judges' review of the process. The Federal Circuit has improperly taken on

the function of jury and judge, and has abandoned its proper role as an appellate court.

Respectfully submitted,

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

95-1138,-1164,-1205

PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs/Cross-Appellants,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED, f/k/a/ J&M ENTERPRISES, d/b/a ATICO NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Defendants-Appellants.

Donald R. Dunner, Finnegan, Henderson, Farabow, Garrett & Dunner, of Washington, D.C., argued for plaintiffs/cross-appellants. With him on the brief was *J. Michael Jakes.* Of counsel was *Barbara R. Rudolph,* Also of counsel were *Gregg I. Anderson* and *Elizabeth A. Phelan,* Holland & Hart, of Denver, Colorado.

James A. Lowe, of Denver, Colorado, argued for defendants – appellants. With him on the brief was *Duane Burton.*

Appealed from: United States District Court for the District of Colorado

Judge Finesilver

UNITED STATES COURT OF APPEALS
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PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

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Defendants-Appellants.

DECIDED: July 2, 1996

Before MAYER, *Circuit Judge*, COWEN, *Senior Circuit Judge*, and RADER, *Circuit Judge*.

RADER, *Circuit Judge*.

Walgreen Company (Walgreen) appeals a decision of the United States District Court for the District of Colorado. The district court denied Walgreen's motion for remittitur, or in the alternative a new trial, on a jury award of $1.1 million in lost profits. The district court also denied Walgreen's motion for judgment as a matter of law that Philip Oiness (Oiness) could not recover projected lost profits on the record evidence. Finally, the district court awarded Oiness prejudgment interest at the Colorado statutory rate of 8%. Because the jury damages award was speculative, this court reverses-in-part, vacates-in-part, and remands-in-part.

Oiness cross-appeals the trial court's denial of its motion for enhanced damages and request for prejudgment interest at the rate of 16.52%. This court affirms the trial court on these issues.

BACKGROUND

This appeal features a small folding headrest called a Headchair. The Headchair resembles a tiny director's chair which supports a user's head off the ground. The Headchair sells primarily to sunbathers at the beach or to campers. This simple produce has seen a tumultuous legal history.

Steven Younger (Younger) and Rudolf Fiedelak, co-inventors of the Headchair, filed a patent application for the Headchair on October 11, 1984. The patent issued on October 1, 1985 as U.S. Patent No. 4,544,203 ('203). Younger, Oiness, and other investors formed the corporation Sun Global Enterprises, Inc. (Sun Global). The inventors assigned the '203 patent to Sun Global. In March 1984, Sun Global began making the Headchair. Sales commenced in June 1984.

In mid-1985, B&E Sales Co. (B&E) began selling a folding headrest. Sun Global sued B&E in 1986 for infringement of the '203 patent. In that trial, Younger testified that B&E's infringement virtually destroyed the market for Sun Global Headchairs. Sun Global won a lost profits damages award from B&E for harm to the retail market from 1986 through 1992.

In June 1986, Oiness formed a new corporation, Sun Products Group, Inc. (Sun Products), to sell the Headchair. Sun Products acquired the assets of the defunct Sun Global. Oiness thus acquired the '203 patent. Oiness and Sun Products then sued Walgreen for infringement of the '203 patent.

In April 1991, the district court held its first trial on this case. The jury found that Walgreen had willfully infringed the patent and awarded Oiness $300,000 in damages. *Oiness v. Walgreen Co.*, 774 F. Supp. 1277, 21 USPQ2d 1654 (D. Colo. 1991).

Walgreen appealed that decision to this court. *Oiness v. Walgreen Co.*, 980 F.2d 742, 26 USPQ2d 1548 (Fed. Cir. 1992) (non-precedential), *cert. denied*, 507 U.S. 1032 (1993). On appeal, this court affirmed Walgreen's liability, but vacated the damage award and remanded the case for reconsideration of the amount of damages. This court determined that the trial court had erred in its jury instructions on damages. The faulty instructions did not distinguish between the lost profits award for B&E's infringement in 1985-1986 and the lost profits for Walgreen's 1987-1990 infringement. Without this distinction, the jury could assess Walgreen for damages already compensated in the B&E trial. Furthermore, this court discerned a lack of substantial evidence to support the jury's damage award. *Id.*

The district court retried the case on damages. In October 1994, the jury awarded Oiness $1,101,240 in lost profits and $10,150,000 in projected lost profits. Specifically, the jury awarded projected lost profits of $1.4 million in the retail sales market, $750,000 in the premium

market, and $8 million in the advertising specialty market.

Walgreen moved for judgment as a matter of law, remittitur of the damage award, and alternatively a new trial on damages, all of which the trial court denied in an Order Regarding Post-Trial Motions entered December 6, 1994. The district court also awarded 8% in prejudgment interest on the entire judgment.

DISCUSSION

Actual Sales

Walgreen moved for remittitur, or in the alternative a new trial and moved for judgment as a matter of law (JMOL) that the record evidence did not support projected lost profits. In considering a motion to amend the judgment, or in the alternative to grant a new trial on the amount of damages, a trial court must review the record to determine whether the jury's verdict contravenes the "clear or great weight of the evidence." *"Unisplay, S.A. v. American Elec. Sign Co.*, 69 F.3d 512, 517, 36 USPQ2d 1540, 1544 (Fed. Cir. 1995) (quoting *Standard Havens Prods., Inc. v. Gencor Indus., Inc.* 953 F.2d 1360, 1367, 21 USPQ2d 1321, 1326 (Fed. Cir. 1991), *cert. denied*, 506 U.S. 817 (1992)). This court reviews for an abuse of discretion the decision denying a grant of remittitur or a new trial because of an excessive damage award. *K-B Trucking Co. v. Riss Int'l Corp.*, 763 F.2d 1148, 1162 (10th Cir. 1985); *see also Shearing v. Iolab Corp.*, 975 F.2d 1541, 24 USPQ2d 1133 (Fed. Cir. 1992) (reviewing the denial of a motion for a new trial for an abuse of discretion).

In considering a motion for JMOL, a trial court reviews the record for a substantial evidence to support the jury's verdict. *Federal Deposit Ins. Corp. v. United Pacific Ins. Co.*, 20 F.3d 1070, 1082 (10th Cir. 1994).

On appeal from a decision on a motion for JMOL, this court must review the record for substantial evidence. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1240, 9 USPQ2d 1913, 1924 (Fed. Cir.), *cert. denied*, 493 U.S. 853 (1989). the measurement of actual damages for patent infringement is a question of fact. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1578, 24 USPQ2d 1401, 1417 (Fed. Cir. 1992).

Upon a finding of infringement, title 35 envisions the award of damages adequate to compensate the patentee for infringement, but in no event less than a reasonable royalty. 35 U.S.C. § 284 (1994). The patent owner bears the burden of proving this amount. *Smithkline Diagnostics, Inc. v. Helena Lab. Corp.*, 926 F.2d 1161, 1164, 17 USPQ2d 1922, 1925 (Fed. Cir. 1991). Beyond a reasonable or established royalty, a claimant must prove actual damages to establish entitlement to lost profits. *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 671, 7 USPQ2d 1097, 1106 (Fed. Cir.), *cert. denied*, 488 U.S. 968 (1988). Proof of actual damages must include a causal connection between the infringement and the lost profits. *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1585, 35 USPQ2d 1065, 1102 (Fed. Cir.) (en banc), *cert. denied*, 116 S. Ct. 184 (1995). "To recover lost profits as actual damages, a patent holder must demonstrate that there was a reasonable probability that, but for the infringement, it would have made the infringer's sales." *Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1577, 24 USPQ2d 1321,

1336 (Fed. Cir. 1992) (citing *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577, USPQ2d 1026, 1028 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 1022 (1990)).

The district court properly instructed the jury that Oiness was entitled to present proof of lost profits based upon Walgreen's sales. Oiness, however, did not present proof of Walgreen's sales. Instead Oiness presented only pictures of Headrest displays in three Walgreen stores. From these pictures, Oiness presumed that Walgreen devoted one and a half to two square feet of floor space in every store to Headrest sales. Without proof that every store sold Headrests or the amount of space in those stores for Headrest sales, Oiness then multiplied its estimated square footage by 1600, the number of Walgreen stores. Oiness next relied on a Value Line report for investors which discussed the vague concept of sales per square foot. This report suggested that Walgreen averaged sales of $379 per square foot of floor space. This report made no assessment of the sales of Headrests and no assessment of whether Headrest sales fell above or below the square foot sales average. Nonetheless, Oiness multiplied the presumed floor space in each Walgreen store by $379 per square foot. Finally, Oiness projected this calculation over a five year period. Thus Oiness extrapolated that Walgreen would have sold 3.6 to 4.8 million Headrests. This number of sales generates lost profits between $4,840,000 and $6,450,000.

This evidence adds vague estimation and gross extrapolation to unsupported presumption. At every step, this damages calculation is fraught with speculation. Three pictures do not support a conclusion for 1600

stores. The Value Line report does not supply any information about Headrest sales. The five-year projection does not account for market fluctuations over time and does not relate to the three pictures or the Value Line report at all. Instead of presenting evidence of actual sales combined with reliable economic analysis of demand, supply, and price over time, Oiness invites the jury to engage in rapt speculation. Based as it is on insubstantial evidence, this court reverses the jury's $1,101,240 lost profits award.

A court is not at liberty to supplant its own judgment on the damages amount for the jury's findings. *Unisplay*, 69 F.3d at 519. Therefore, in holding that a jury damage award is excessive, an appellate court has two options. It may simply reverse the jury award and order a new trial or allow plaintiff the option of agreeing to a remittitur in a specified amount. *See id.*; 11 Charles A. Wright et al., *Federal Practice & Procedure* § 2820 (2d 3d. 1995). This court has adopted the "maximum recovery rule" which requires this court to remit the damage award to the highest amount the jury could "properly have awarded based on the relevant evidence." *Unisplay*, 69 F.3d at 519.

The record shows conclusively that Walgreen sold 142,230 Headrests in the retail market. Younger testified that the average net profit on the Headchair in the retail market was $1.33. Multiplying the amount of Headrests Walgreen sold by the admitted average net profit of the Headchair equals a total of $189,000 in the retail market.

In addition, Vernon Brunner (Brunner), the Executive VP of Marketing for Walgreen, testified that at the end of August 1990, Walgreen had 23,610 Headrest left in its

stores. The warehouse report, which was the cornerstone of Walgreen's proof of Headrest sales, shows no movement of Headrests after this date. The 142,230 units reflect the 165,840 units moved to stores, minus the inventory remaining in the stores as of August 1990. Walgreen produced no records accounting for the whereabouts of the 23,610 Headrests. Brunner also testified that the stores were not advised to stop selling the Headrest until approximately March 1991. It is uncertain what happened to the 23,610 Headrests. Therefore, in view of Walgreen's lack of records, it was reasonable that the jury inferred these Headrests had been sold. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 219 USPQ 670 (Fed. Cir. 1983). Adding the 23,610 unaccounted for Headrests with the 142,230 sold amounts to $220,567 in actual sales. This amount serves as a benchmark for remittitur.

Oiness questioned this evidence on actual sales by alleging that Walgreen withheld evidence of actual sales. To the contrary, Walgreen presented inventory and warehouse records. Brunner, presented unrebutted testimony that these records were the most accurate method to determine the number of Headrests Walgreen had available for sale. Moreover, in light of the utter failure of Oiness to present proof of lost profits, the record contains no better evidence of Walgreen's actual sales. Because this evidence is the only reliable record of actual sales, this court vacates and remands to the trial court with instructions to order judgment in the amount of $220,567. Should Oiness refuse to accept the reduction of its award, the trial court may grant Oiness a new trial on damages.

This result is consistent with *Lam*. In *Lam*, this court inferred causation of damages when the patent owner

and the infringer were the only suppliers of the product. With respect to reliance on the infringer's sales records, the court noted that "any adverse consequences must rest on the infringer when the inability to ascertain lost profits is due to the infringer's own failure to keep accurate or complete records." *Lam*, 718 F.2d at 1065 (citing *Milgo Elec. Corp. v. United Business Communications, Inc.*, 623 F.2d 645, 665, 206 USPQ 481, 496 (10th Cir.), *cert. denied*, 449 U.S. 1066 (1980)). The *Lam* court, however, noted that the plaintiff has the burden of showing with reasonable probability defendant's sales. 718 F.2d at 1065. Even where defendant's records are not complete, damages may "not be determined by mere speculation or guess." *Id.* (quoting *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, 563 (1931)).

In this case, Oiness purported to meet its burden of proof with mere speculation and guess work. Any insufficiency in Walgreen's records cannot supplant Oiness's burden to prove lost profits by a preponderance of evidence. *See SmithKline*, 926 F.2d at 1164 (at trial it is the patentee's burden to prove lost profits by a "preponderance of the evidence"). Due to Oiness' failure of proof, the best remaining evidence is Walgreen's records. Thus, this court remands with the above instructions.

Projected Lost Profits

This court upholds a jury's damages award unless "grossly excessive or monstrous," clearly not supported by evidence, or based only on speculation or guesswork. *Brooktree*, 799 F.2d at 1580 (citing *Los Angeles Memorial Coliseum Comm'n v. NFL*, 791 F.2d 1356, 1360 (9th Cir.

1986), *cert. denied*, 484 U.S. 826 (1987)). In this regard, this court acknowledges that a patentee may produce sufficient evidence to recover projected future losses, *see Lam*, 718 F.2d at 1068, but those projections must not be speculative. *See Sunward Corp. v. Dun & Bradstreet, Inc.*, 811 F.2d 511, 541 (10th Cir. 1987); *Brooktree*, 977 F.2d at 1581 (citing *Bio-Rad Lab., Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 616, 222 USPQ 654, 664 (Fed. Cir.), *cert. denied*, 469 U.S. 1038 (1984)). "The burden of proving future injury is commensurately greater than that for damages already incurred, for the future always harbors unknowns." *Brooktree*, 977 F.2d at 1581. "While estimates of lost future profits may necessarily contain some speculative elements," *Malloy v. Monahan*, 73 F.3d 1012, 1016 (10th Cir. 1996) (citing *United Steelworkers of America v. CCI Corp.*, 395 F.2d 529, 533 (10th Cir. 1968), *cert. denied*, 393 U.S. 1019 (1969); *United States v. Griffith, Gornall & Carman, Inc.*, 210 F.2d 11, 13 (10th Cir. 1954)), "the fact-finder must have before it 'such facts and circumstances to enable it to make an estimate of damage based upon judgment, not guesswork.' " *Id.* (quoting *Griffith, Gornall & Carman, Inc.*, 210 F.2d at 13).

This case involves three different markets: the premium market, the retail market, and the advertising specialty market. Oiness contends that Walgreen's infringement destroyed all three markets. The jury awarded Oiness projected lost profits in all three of these markets.

A.

The retail market concerns products sold at retail through department stores, drug stores, chains, and direct sales to consumers. Douglas MacLachlan (MacLachlan) was Oiness' expert in the retail market. MacLachlan developed his forecast in this market based on information from Sun Product's attorneys, accountant, and officers. MacLachlan forecasted Sun Product's lost profits from the start of infringement until 2002, the patent expiration date.

MacLachlan admitted that he found very little sales history to support his projections. The prior infringement by B&E complicated his reliance on the sales history of the Headchair. Due to this factor, MacLachlan relied on the sales unit figures for the second half of 1984, 30,746, and the first half of 1985, 304,045 – the only figures before B&E's infringement. He determined that the difference between these figures represented a 900% increase. He used this initial burst in product sales to project the growth rate for sales over the duration of the patent absent infringement. Recognizing the alarming size of this growth rate, however, he proposed "the conservative approach" of reducing this growth rate to a "mere" 450% increase in future sales for several years, with another reduction to 150% growth near the end of the patent term. In other words, MacLachlan still projected more than a doubling of annual sales near the end of Oiness's patent term.

MacLachlan's entire premise is flawed. MacLachlan relies on figures from the first months after Headchair's introduction into the market place. He then assumes that

those figures, from a few months, support an extrapolation of demand over future years. The economic axiom that demand curves slope downward calls into question the doubling of demand for a product year after year. MacLachlan offered no sound economic reasoning to support his assumption that Headchair sales would quadruple and double throughout the life of the patent. The figures for the first burst of sales do not supply adequate support for his assumption.

MacLachlan's assumption is also flawed because he had no evidence to show that the 1984-1985 sales actually represented sales to customers over this brief period, as opposed to large initial sales to retail outlets which might have languished on store shelves for months. In sum, MacLachlan's projections lacked evidentiary support.

In *Lam*, this court allowed projected lost profits in a two-supplier market upon a showing of actual pre-infringement and post-infringement growth rates. *Lam*, 718 F.2d at 1068. Oiness neither established a reliable pre-infringement nor a reliable post-infringement growth rate. The 1984-1985 start-up figures distort MacLachlan's growth rate projections. Furthermore, MacLachlan admits he did not conduct any market surveys of the Headchair. Rather, he relied on his personal conjecture that Sun Products would employ manufacturing representatives around the country at trade shows to increase distribution over the life of the patent.

Because MacLachlan's projections of lost profits in the retail rest on faulty assumptions and a lack of reliable economic testimony relevant to this market, this court determines that the record does not support the jury's

award of $1.4 million. The only record testimony was bald speculation by Oiness' expert. Therefore, this court reverses the jury's award of projected lost profits in the retail market.

B.

The advertising specialty market concerns products – often calendars and pens – with a company's logo which are usually given away to promote the company's business reputation. The advertising specialty market operates by engaging a manufacturing representative to sell the product to a distributor. The distributor then resells the product to an interested company. The distributor must obtain the product for a price lower than the interested company might obtain it elsewhere. Therefore, Oiness argues, when Walgreen sold the Headrest for $1.00, the price Sun Products could demand in the advertising specialty market plummeted.

Oiness' expert in the advertising specialty market was Glen Holt (Holt). Holt admitted that he did not take into account B&E's infringement when projecting lost profits in this unique market. This oversight is fatal to Holt's predictions. To the extent B&E had already damaged pricing in this market, Walgreen cannot be liable for damage caused by another infringer.

In the B&E infringement trial, Younger testified that B&E virtually destroyed the market for the Headchair. In his 1988 testimony, Younger held B&E responsible for a 90% drop in the business of Sun Global. B&E's infringement extended into 1986 – less than a year before Walgreen's infringement. Because Holt did not consider the

effect of B&E's infringement on the Headchair market, his projections of Walgreen's harm to the price of Headchairs, less than a year later, are suspect.

Just as significantly, Holt did no market analysis to determine if market forces, other than infringement, might have forced the price of Headchairs to dip. For instance, Oiness projected vast market penetration in other markets in the same period. If this had occurred, the market itself might have reduced the price as much or more than Holt attributed to Walgreen's infringement. Without more reliable market analysis, Holt provided no more than speculation upon which the jury cannot base an award. Because Oiness did not show an established business in the advertising specialty market or a reliable basis for Holt's predictions, this court reverses the jury award on projected lost profits in the advertising specialty market.

C.

In the premium market, customers buy the products to give away or sell as premiums in connection with another product or service, such as a prize in a cereal box. Customers may also use premium products as incentives for dealers or sales persons to sell more merchandise.

George Kling (Kling) was Oiness' expert witness in the premium market. He testified that this market relies heavily on the perception of the value of the premium product. He noted that the perceived value of the Headchair dropped because of Walgreen's infringement. Before Walgreen's activity the perceived value of the Headchair was $5.00 or $6.00; it later dropped to $1.00.

Because of the drop in the perceived value of the Headchair, Kling testified, the premium representatives would no longer carry the Headchair as a premium product.

Once again, Kling did not factor the B&E infringement into his calculation of the damage to the perceived value of the Headchair. Without this calculation, Kling's calculations run the risk of charging Walgreen with damage caused by another's infringement.

The premium market was a new market for Sun Products. Sun Global had not entered this market. Nonetheless, the value of the Headchair in one market is not independent of its value in other markets. Without consideration of the B&E infringement on Headchair value, Oiness has not shown that the premium market remained unaffected by B&E's infringement.

Edgar Taylor (Taylor), director of the Nestle Food Company Baking Division at Carnation, testified that Carnation used the Headchair in its promotion of the "Carnation Do it Yourself Diet Plan." He testified that the reason Carnation chose the Headchair as a promotional product was its price. Taylor also testified that he would stay away from a product if "he thought the perceived value would decline during the course of the program." Kling testified that, after Walgreen's infringement, Carnation withdrew the Headchair as one of its promotional products.

The mere temporal association of Carnation's action and Walgreen's infringement does not suffice to show causation. No record evidence showed that Carnation terminated its premium product due to price decreases caused by Walgreen. The record does not show a link

between Walgreen's infringement and price decreases in the Headchair. B&E's infringement or other market forces may also have caused the decreases. Without credible economic testimony, this court cannot permit a jury to base its award on speculation. This court reverses this projection as well.

Interest

The trial court awarded Oiness 8% in prejudgment interest on the entire damages award. This court reviews grant or denial of prejudgment interest for an abuse of discretion. *Lummus Indus., Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 274, 8 USPQ2d 1983, 1988 (Fed. Cir. 1988). Under 35 U.S.C. § 284, prejudgment interest ensures adequate compensation for the infringement. *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655-56, 217 USPQ 1185, 1188-89 (1983); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389, 219 USPQ 569, 576 (Fed. Cir. 1983). Prejudgment interest has no punitive, but only compensatory, purposes. Interest compensates the patent owner for the use of its money between the date of injury and the date of judgment. *Bio-Rad Lab., Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 969, 1 USPQ2d 1191, 1195 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 915 (1987).

The trial court abused its discretion by awarding prejudgment interest on Oiness' entire damages award, including the projection of future damages. By awarding interest on projected lost profits, the trial court compensated Oiness for losses it had not yet suffered. In other words, the court granted Oiness interest for the use of its money when Oiness' money had not been used. This

award violates the compensatory purpose of prejudgment interest. Therefore, this court reverses the trial court's grant of prejudgment interest on the future damages portion of Oiness' damage award. Upon remand, the trial court may award interest on the $220,567 award of lost profits supported by the record evidence.

CONCLUSION

This court remands on the issue of actual damages because the jury award exceeded Walgreen's sales in the retail market. This court reverses the jury award for projected lost profits in the retail, advertising specialty, and premium markets. The jury based these awards on speculation. The record does not support these awards. This court also reverses on the trial court's granting of prejudgment interest on any damages based on projections.

COSTS

Each party shall bear its own costs.

AFFIRMS-IN-PART, REVERSES-IN-PART, REMANDS-IN-PART, and VACATES-IN-PART

NOTE: Pursuant to Fed. Cir. R. 47.8, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

91-1467,-1496

PHILLIP OINESS and
SUN PRODUCTS GROUP, INC.,

Plaintiffs/Cross-Appellants,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD, d/b/a/ NEW ATICO, a/k/a ATICO,

Defendants-Appellants.

DECIDED: October 8, 1992

Before MAYER, *Circuit Judge*, COWEN, *Senior Circuit Judge*, and RADER, *Circuit Judge*.

RADER, *Circuit Judge*.

DECISION

Oiness and Sun Products sued Walgreen Company and Atico International and New Atico International for infringement of United States Patent No. 4,544,203 (the '203 patent). *See Oiness v. Walgreen Co.*, 774 F. Supp. 1277,

21 USPQ2d 1654 (D. Colo. 1991). A jury found that Oiness owned the '203 patent, that defendants had not established the invalidity of the '203 patent, and that defendants willfully infringed the patent. The jury then awarded $300,000 in actual damages. The court trebled damages and denied attorney fees and prejudgment interest. Upon review, this court finds substantial evidence to support most of the jury's findings. However, due to reversible errors affecting the damages award and the trial court's denial of prejudgment interest, this court *affirms-in-part, vacates-in-part, and remands.*

Damages

This court reviews the jury's findings for reasonableness under the substantial evidence standard of review. *Orthokinetics v. Safety Travel Chairs,* 806 F.2d 1565, 1571, 1 USPQ2d 1081, 1084-86 (Fed. Cir. 1986). The district court instructed the jury to award the "net profits" Oiness would have made absent Walgreen's infringement. Under the unique facts of this case, that instruction likely misled the jury and caused reversible error. Moreover, this court detects no substantial evidence supporting the jury's damage award. On this record, no reasonable jury could have reached this result.

In a separate 1988 suit, the United States District Court for the Eastern District of Michigan awarded Oiness damages for a short-lived infringement of the '203 patent by B&E Sales Company. *Sun Prods. Group v. B&E Sales Co.,* 700 F. Supp. 366, 9 USPQ2d 2009 (E.D. Mich. 1988). Due to repeated references throughout this trial, the jury was acutely aware that Oiness previously had

received damages from B&E Sales. In particular, Sun Products received damages for loss of "future profits" caused by B&E Sales' infringement.

The jury instructions advised the jury to award Oiness damages for any "net profits on sales Sun Products would have made absent the infringement." The instructions further defined "net profits" as "revenue from the sale of head rests less the cost of obtaining or manufacturing the head rest, cost of goods sold, and less all operating costs and expenses such as advertising, rent, salaries, promotions, et cetera." The instructions did not distinguish between a lost profits award for B&E Sales' 1985-86 infringement and a lost profits award for Walgreens' 1987-90 infringement.

Without this distinction between damages for B&E Sales' 1985-86 infringement and Walgreen's 1987-90 infringement, the jury may well have read the term "net profits" to require reduction of the damages caused by Walgreen's infringement to account for damages awarded for B&E Sales' infringement. Regardless of the source of the jury's confusion, however, substantial evidence does not support the jury's damage award.

The jury awarded Oiness $300,000 in damages for injury to three distinct markets – premium, advertizing specialty, and retail. Plaintiffs' witnesses testified to over $5 million in retail damages, over $16 million in premium product damages, and $500,000 in advertising specialty damages, for a total of over $22 million. Walgreen's witness admitted that injury to the advertising specialty

market alone ranged from $250,000 to $500,000. Walgreen's expert based this estimate on the cost of reintroducing the product and did not include any lost profits. On the record, this court finds no substantial evidence supporting the jury's damage award.

An offending notion woven into the fabric of this case is: Plaintiff recovered for lost profits in the suit against B&E Sales, therefore, plaintiff cannot recover for lost profits against Walgreen. To recover under lost profits, plaintiff must show that, absent infringement, it would have made the profits claimed. *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 863, 226 USPQ 402, 409, (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). Plaintiff must show a direct causal connection between the infringer's activities and the patent owner's lost profits. Sun Products met this burden in recovering lost profits for B&E Sales' 1985-86 infringement. In this suit against Walgreen, plaintiffs certainly cannot recover for profits lost due to B&E's infringement. Plaintiffs may recover, however, *all* profits lost due to Walgreen's 1987-90 infringement.

Because the jury instructions did not adequately distinguish between damages for the separate 1985-86 infringement and because substantial evidence does not support the jury's damages award, this court vacates that award and remands.

Prejudgment Interest

This court reviews the district court's decision not to award prejudgment interest for abuse of discretion. *See Hughes Tool Co. v. Dresser Indus., Inc.*, 816 F.2d 1549, 1558,

2 USPQ2d 1396, 1404 (Fed. Cir. 1987). The district court did not grant prejudgment interest because Sun Products received damages in a prior case. *Sun Prods.*, 700 F. Supp. at 381-87, 9 USPQ2d at 2019-24. The court reasoned that prejudgment interest would give Sun Products a duplicative recovery. The jury, however, awarded $250,000 for injury to the premium sales market. Premium products are purchased in bulk to be given away as part of the sales promotion of other products. In *B&E Sales*, Sun Products recovered for retail sales, not premium sales. Therefore, an award for premium sales in the instant case would not overlap with the B&E award.

The district court said: "[t]he jury concluded that plaintiffs were only entitled to recover $300,000 for damages incurred after 1992." *Oiness*, 774 F. Supp. at 1285, 21 USPQ2d at 1660. In the same paragraph, the court relied on testimony that Walgreen's infringement affected premium sales from 1988 through 2002. *Id.* The district court's rationale for denying prejudgment interest does not account for the prejudgment interest on those premium sales. This failure amounts to an abuse of discretion. Therefore, this court vacates the trial court's denial of prejudgment interest and remands. *See Nickson Indus. v. Rol Mfg. Co.*, 847 F.2d 795, 800-01, 6 USPQ2d 1878, 1881-82 (Fed. Cir. 1988).

CONCLUSION

Both plaintiffs and defendants raised several other objections to the jury's verdict and the trial court's conduct of the case. In all respects, this court rejects those objections and affirms the district court's judgment. This

court only vacates and remands for reconsideration of the award of damages for lost profits and of the denial of prejudgment interest.

COSTS

Each party shall bear its own costs.

United States Court of Appeals
for the Federal Circuit

95-1138, -1164, -1205

PHILIP OINESS and SUN
PRODUCTS GROUP, INC.,

Plaintiffs/Cross-Appellants,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL
INCORPORATED, f/k/a/ J&M ENTERPRISES, d/b/a
ATICO NEW ATICO INTERNATIONAL, LTD., d/b/a
NEW ATICO, a/k/a ATICO,

Defendants-Appellants.

ORDER

United States Court of Appeals
for the Federal Circuit

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the CROSS-APPELLANT, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate has already issued.

FOR THE COURT,

Dated: October 1, 1996

By /s/ B.P.L.
Brian P. LeDuc
Associate Chief
Deputy Clerk

cc: DONALD R. DUNNER
JAMES A. LOWE

OINESS V WALGREEN CO, 95-1138, -1164, -1205
(Dct - 90-CV-727)

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Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 90-F-727

PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Defendants.

ORDER REGARDING POST-TRIAL MOTIONS

(Filed Dec. 06, 1994)

Sherman G. Finesilver, Judge

This suit involves the infringement of United States Patent 4,544,203 ("Patent 203"). Patent 203 involves a small folding headrest product designed for use while reclining, for example, at the beach or park. Jurisdiction of this Court is based on 28 U.S.C. §§ 1332, 1338 and 1400. By way of background, a special jury verdict was returned in favor of the Plaintiffs in 1991. *See Oiness v. Walgreen Co.*, 774 F. Supp. 1277 (D. Colo. 1991), *aff'd in part*, 980 F.2d 742 (Fed. Cir. 1992), *cert. denied*, 113 S.Ct. 1849 (1993). The jury awarded $300,000 in actual damages for the infringement and denied exemplary damages. In an Order issued June 28, 1991, damages were trebled and Plaintiffs' *Motion For A New Trial On The Issue Of Damages* was denied. The Parties cross-appealed, and the United

States Court of Appeals for the Federal Circuit in Washington, D.C. found that the instruction requiring the jury to award "net profits" was misleading and reversible error, and there was no substantial evidence to support the jury's damages award. The case was remanded on the question of damages. *Oiness v. Walgreen Co.*, 980 F.2d 742 (Fed. Cir. 1992) (unpublished disposition).

On re-trial in October 1994, the jury returned a verdict in favor of Plaintiffs in the total amount of $11,251,240. Judgment was entered on October 20, 1994. Execution of the judgment has been stayed.

This matter is currently before the Court on the following post-trial Motions: 1) Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate;* 2) Defendants' *Motion To Amend The Judgment;* 3) Defendants' *Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19;* 4) Defendants' *Motion For Remittitur Or, In The Alternative, A New Trial For Lost Profits;* and 5) Defendants' *Motion For Renewal Of Judgment As A Matter Of Law Or, In The Alternative, Remittitur Or A New Trial For Lost Projected Profits.* For the reasons outlined below, Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate* is denied. Defendants' several post-trial motions are also denied.

1. Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate*

Plaintiffs move the Court to 1) treble the damages awarded pursuant to 35 U.S.C. § 284 and 2) increase the prejudgment interest rate to an amount appropriate under the circumstances.

A. Increased Damages

Pursuant to 35 U.S.C. § 284, the Court may treble damages in a patent infringement case. The trebling of damages is subject to the Court's discretion and will not be overturned absent a showing of abuse of discretion. *Acoustical Design, Inc. v. Control Electronics Co., Inc.*, 932 F.2d 939, 942 (Fed. Cir.), *cert. denied*, 112 S.Ct. 185 (1991); *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990), *cert. denied*, 500 U.S. 918 (1991). A finding of willful infringement will support an award of increased damages. *Bott v. Four Star Corp.*, 807 F.2d 1567, 1574 (Fed. Cir. 1986); *Lam, Inc. v. Johns-Manville Corp.*, 668 F.2d 462, 474 (10th Cir.), *cert. denied*, 456 U.S. 1007 (1982). In the first trial of this matter, the jury returned a special verdict finding that the Defendants' infringement of Plaintiffs' patent was willful. However, such a finding does not mandate increased damages. *Modine*, 917 F.2d at 543. After carefully considering the finding of willfulness, the size of the jury award and the deterrent function of enhanced damages, enhanced damages are not appropriate. *See Id.*

B. Prejudgment Interest Rate

Plaintiffs also argue that they are entitled to a higher rate of prejudgment interest than eight percent (8%) per annum. Plaintiffs argue that an increased rate is necessary to prevent Defendants from benefiting from their infringement. Plaintiffs also assert that because the average interest paid by Plaintiffs on loans since the date of Defendants' infringement is eleven point thirty-seven percent (11.37 %), the rate of prejudgment interest should

be at least that much. However, Plaintiffs have failed to affirmatively demonstrate that a deviation from the eight percent rate is warranted. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1066 (Fed. Cir. 1983). Accordingly, Plaintiffs' request for an increased prejudgment interest rate is denied.

2. Defendants' Motion To Amend The Judgment

Defendants move the Court to amend the judgment to preclude prejudgment interest on projected lost profits occurring prior to the second half of 1988. Defendants argue that the damages allegedly caused by Defendants' infringement did not begin until the second half of 1988, hence, Plaintiffs' recovery of prejudgment interest should be limited accordingly. This argument is not persuasive. Plaintiffs are entitled to prejudgment interest from April 26, 1987, the time of the infringement. The law is clear that Plaintiffs are entitled "to recover prejudgment interest from the time of the wrong." *Estate of Korf v. A.O. Smith Harvestore Prods., Inc.*, 917 F.2d 480, 486 (10th Cir. 1990) (citing *Mesa Sand & Gravel Co. v. Landfill, Inc.*, 776 P.2d 362, 365 (Colo. 1989); *See Brabson v. United States*, 859 F. Supp. 1360 (D. Colo. 1994). Accordingly, Defendants' Motion with respect to limiting the commencement date of prejudgment interest to the second half of 1988 is denied.

Defendants also contend that in its present form, the Final Judgment allows Plaintiffs to recover double interest. Defendants assert that the verdict already includes an award of interest, yet the calculations of actual lost profits and projected lost profits also include interest

because of the present value computation. Plaintiffs respond that there was no reference to "present value" in the verdict form, thus, Defendants' assumption that interest was "built in" to the verdict is erroneous. We agree. There is no indication that the jury's calculation of damages included present value computations. Hence, Defendants' argument that the judgment should be amended to prevent Plaintiffs from receiving a windfall of double interest fails. Accordingly, Defendants' *Motion To Amend The Judgment* is denied.

3. Defendants' Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19.

The Court gave 24 jury instructions. Defendants move for a new trial on the grounds that Instruction No. 19 as submitted to the jury was prejudicial error. The first sentence of Instruction No. 19 initially read:

> **As proved by the evidence, Plaintiffs are entitled to recover profits lost due to Walgreen's infringement of Plaintiffs' patent** (emphasis added).

When the Court initially went over the instructions with counsel outside the presence of the jury, it was agreed upon that Instruction No. 19 would read as follows:

> **If proved by the evidence, Plaintiffs are entitled to recover profits lost due to Walgreen's infringement of Plaintiffs' patent** (emphasis added).

The next sentence of Instruction No. 19 defines "profits lost" as "loss of profits occurring in the past and lost

profits projected in the future." In its mandate, the Federal Circuit stated that the Plaintiffs were entitled to recover "*all* profits lost due to Walgreen's 1987-90 infringement." *Oiness v. Walgreen Co.*, 980 F.2d 742 (Fed. Cir. 1992). Defendants conceded during trial that Plaintiffs were entitled to recover lost profits and the jury was so instructed. Instruction No. 22 read in part:

> **The defendants do not deny that the plaintiffs are entitled to lost profits based upon defendants' sales. You are therefore required to decide the proper amount of lost profits and to set forth that amount in Column A.**

However, Defendants contest what amount, if any, of lost projected profits the Plaintiffs were entitled.

The official transcript reflects that Instruction No. 19 was read to the jury in the agreed upon form on October 17, 1994, using the verbiage "If proved by the evidence. . . . " On the morning of October 18, 1994 the jury was given a written version of the jury instructions and commenced deliberations. Counsel were given the written version of the jury instructions immediately after the jury retired for deliberation. Due to a typographical error, Instruction No. 19 was submitted to the jury in written form as the initially proposed "**As** proved by the evidence," rather than the agreed upon "**If** proved by the evidence" (emphasis added).

Defendants contend that as submitted to the jury in written form, Instruction No. 19 is a mandatory instruction rather than permissive; that the jury must award lost projected profits to the Plaintiffs. Plaintiffs dispute this contention and assert that Defendants failed to object

during the jury's deliberation and therefore Defendants have not complied with FED.R.CIV.P. 51. Rule 51 provides in part that "No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds of the objection." Defense counsel made its objection known to the Court prior to the instructions going to the jury. When an "objection properly calls the alleged error to the Court's attention . . . , the requirement of [Rule 51] is met." *Weir v. Federal Ins. Co, et al.*, 811 F.2d 1387, 1391 (10th Cir. 1987) (*citing Taylor v. Denver and Rio Grande W.R.R. Co.*, 438 F.2d 351, 353 (10th Cir. 1971)). Defense counsel's objection to the initial draft of Instruction No. 19 was adequate under Rule 51. Accordingly, Defendants preserved their right to pursue this challenge on appeal.

In reviewing a jury instruction challenge, the Court examines "the jury instructions as a whole to determine whether they correctly state the governing law and provide an ample understanding of the issues and the applicable standards." *United States v. Arias-Santos, Rascon*, 1994 WL 593258, *4 (10th Cir. Nov. 1, 1994) (*citing United States v. Zimmerman*, 943 F.2d 1204, 1213 (10th Cir. 1991)); *see also, Le Master v. People*, 131 P. 269, 272 (Colo. 1913) (" . . . it is elementary that instructions must be considered as a whole."); *People v. Olona*, 505 P.2d 372 (Colo. 1973) and *McCune v. People*, 499 P.2d 1184 (Colo. 1972) (issue is whether under the instructions as a whole, the jury was adequately informed as to the law). We agree with the principle that where the instructions "properly express the law applicable to the case, there is no error

even though an isolated clause may be inaccurate, ambiguous, incomplete or otherwise subject to criticism." *Somer v. Johnson*, 704 F.2d 1473, 1478 (11th Cir. 1983) (*citing Johnson v. Bryant*, 671 F.2d 1276, 1280 (11th Cir. 1982)). At issue then is whether the instructions in the instant case as a whole properly expressed the applicable law and provided a clear understanding to the jury as to Plaintiffs' burden of proof regarding recovery of lost profits.

Instruction No. 19 in its totality as submitted to the jury in written form read as follows:

As proved by the evidence, Plaintiffs are entitled to recover profits lost due to Walgreen's infringement of Plaintiff's patent.

The term "profits lost" includes loss of profits occurring in the past and lost profits projected in the future. Lost profits include both past and future profits in each of the retail, advertising, and premium incentive markets.

Lost profits are profits which the Plaintiffs lost because of sales of the infringed product by the Defendant. Projected lost profits are profits which Plaintiffs claim it lost because of the expected loss of sales of the product in the future.

To recover damages for the patent infringement by Defendants, Plaintiffs must establish a causation between the infringement by the Defendants and lost profits not occasioned by B&E. A factual basis for causation is proven if it is shown that but for the infringement of the Defendants, Plaintiffs would make the lost profits claimed as damages.

In this suit against Walgreens and Atico, Plaintiffs cannot recover any damage caused by B&E's infringement. As you have been instructed, Plaintiffs may recover profits due to Walgreen's and Atico's infringement. It is only the damage shown legally from Walgreen's and Atico's infringement which should be considered.

A determination of damages cannot be speculative, remote or conjectural; it must be based upon a reasonable degree of certainty but does not require absolute certainty.

The term "lost profits" refers to the total revenue Plaintiffs would have received less the cost Plaintiffs would have incurred in making and selling the HEADCHAIR head rests.

Instruction No. 19 specifically explains what Plaintiffs must prove in order to recover any lost profits.

> **To recover damages for the patent infringement by Defendants, Plaintiffs must establish a causation between the infringement by the Defendants and lost profits not occasioned by B&E. A factual basis for causation is proven if it is shown that but for the infringement of the Defendants, Plaintiffs would make the lost profits claimed as damages.**

As noted, Instruction No. 19 also cautioned the jury that

> **It is only the damage shown legally from Walgreen's and Atico's infringement which should be considered.**

Instruction No. 19 also advised the jury that it cannot base any determination of damages on speculation, but rather a determination of damages must be based upon a reasonable degree of certainty.

Hence, any possibility of confusion occasioned by the first word of Instruction No. 19 as submitted to the jury in written form was clearly alleviated by the balance of Instruction No. 19.

To underscore our view that the instructions were adequate, clear and free from ambiguity, we highlight several.

1. Instruction No. 2 stated in part:

> **No single instruction states all the applicable law. All of them must be read and considered together.**

2. Instruction No. 2 also stated:

> **The Court did not in any way, and does not by these instructions, express any opinions as to what has or has not been proved in the case, or to what are or are not the facts of the case.**

3. Instruction No. 3 explained that the burden was upon the Plaintiffs to prove their case by a preponderance of the evidence and these terms were defined for the jury.

4. Instruction No. 7 reminded the jury of Plaintiffs' burden. As to projected lost profits, Instruction No. 7 stated:

> **Oiness and Sun Products need only prove to a reasonable probability that they would have made additional sales or that they could have charged higher prices, or both.**

5. Instruction No. 8 stated:

> **In determining the issue of damages, the Court instructs you that the law does not permit an award of a greater sum than the monetary loss which the patent owner has suffered as a result of the infringement.**
>
> **If, under the Court's instructions, you find plaintiffs are entitled to damages, in fixing the amount of such damages you may not include and/or add to an otherwise just award any sum for purposes of punishing the defendants or to set an example.**

6. Instruction No. 22 explained to the jury the procedure for filing out the verdict form.

It read:

> **The defendants do not deny that the plaintiffs are entitled to lost profits based upon defendants' sales. You are therefore required to decide the proper amount of lost profits and to set forth that amount in Column A.**
>
> **The defendants contend that plaintiffs have not proved that plaintiffs are entitled to lost projected profits. Therefore, you are to first decide if plaintiffs have established by the evidence that they are entitled to lost projected profits in each of the three markets. If you find that plaintiffs have met their burden for one or more of the three markets, place the amount of projected profits the plaintiffs have proven for each of such markets in Column B. If you find that they have not proven lost projected profits for one or more of the three markets, place a zero on the verdict form in Column B for each of such markets.**

Any possibility that Instruction No. 19 conveyed to the jury it was mandatory that they award Plaintiffs lost projected profits was clearly erased by the specificity of Instruction No. 22 along with the above-referenced instructions.

Defendants cite cases for the proposition that a jury instruction is not cured by a correct version appearing elsewhere in the instructions. However, the factual circumstances of these cases render them inapplicable to the instant action.

In *Jamesbury Corp. v. Litton Indus. Prods., Inc.*, 756 F.2d 1556 (Fed. Cir. 1985), *cert. denied*, 488 U.S. 828 (1988), the district court referred to the patentee in a pejorative manner, characterizing it as a "monopolist." The district court also implied that it was against the public interest to allow the patentee to maintain a monopoly. The Federal Circuit held that the instruction in this form was legally erroneous and prejudicial. More prominent, however, was the district court's erroneous instruction regarding the standard of proof. The correct standard was "clear and convincing." The jury was instructed as to the "preponderance of the evidence" standard as well as the correct "clear and convincing" standard. The Federal Circuit held that the additional instruction was confusing, and the district court's misstatement of the law was not cured by the correct standard appearing elsewhere. The Federal Circuit framed the question as, in light of the misstatement, "whether the error was so egregious, considering the instructions as a whole, as to require the verdict to be set aside." *Id.* at 1560. Defense counsel's

attempt to equate the instant action involving the inadvertent exchange of a two-lettered word to the misstatement of the burden of proof, is unpersuasive.

Similarly, Defendants' reliance on *Somer v. Johnson*, 704 F.2d 1473 (11th Cir. 1983) is misplaced. In *Somer*, the district court correctly explained the statutory duty of physicians, but in the same instruction, qualified or relaxed the standard of liability by inserting the word "however." The Eleventh Circuit felt that it was possible that the jury may have employed the wrong standard. In the instant action, never was the burden of proof placed upon Plaintiffs misstated, and any possibility of confusion created by the interchange of "as" and "if" cannot rise to the level of egregiousness necessary to warrant a new trial. Defense counsel also references other cases too dissimilar to the instant action to warrant further comment.

In the criminal context, generally "errors in jury instructions do not constitute fundamental error that would provide a basis for collateral attack." *People v. Shearer*, 508 P.2d 1249 (Colo. 1973) (*citing Lineberger v. State of Oklahoma*, 404 F.2d 1092 (10th Cir. 1968), *cert. denied*, 394 U.S. 938 (1969)). In *People v. Zapata*, 759 P.2d 754 (Colo. App. 1988), *aff'd*, 779 P.2d 1307 (Colo. 1989), the court gave an instruction proposed and prepared by defendant on the theory of the case which could have been construed as placing the burden on defendant to prove his misidentification. On appeal, defendant asserted that the instruction misstated the law and the court committed reversible error in giving it. While distinguishable from the instant case on these factual differences, nonetheless, the court was faced with the issue of

whether a misstatement of the law of the case is reversible error. The court noted that the jury had been properly instructed as to the burden of the proof elsewhere in the instructions. The court held that "if the law of the case is clearly and explicitly set forth in one instruction, the effect of equivocal language elsewhere is eliminated." Consequently, "any error in the wording of the theory of the case instruction is insufficient to mandate reversal." *Id.* at 756.

In *People v. Turner,* 730 P.2d 333 (Colo. App. 1986), the defendant challenged an instruction given by the trial court which defendant contended mandated the return of a guilty verdict. The Court held that in light of the instructions as a whole and assuming that the jury took a commonsense view of the instruction, "we are convinced that the jury was adequately apprised of the law, notwithstanding the defective language in the instruction at issue." *Id.* at 336 (*citing Chambers v. People,* 682 P.2d 1173 (Colo. 1984)).

In *United States v. Downen,* 496 F.2d 314 (10th Cir.), *cert. denied,* 419 U.S. 897 (1974), a blackboard chart summarizing the Government's theory of the case, which had not been admitted into evidence, was erroneously sent to the jury room and remained there during jury deliberations. The Court held that "in light of the careful and detailed cautionary instructions given by the Trial Court," the jury's verdict was not prejudicially influenced by the blackboard. *Id.* at 320.

In *United States v. Hueftle,* 687 F.2d 1305 (10th Cir. 1982), a card stating "They're Guilty, Nuke'M" was found to have been included in the evidence submitted to the

jury. The Tenth Circuit held that the inclusion of the card in the exhibits "was not so blatantly prejudicial that the verdict must be overturned." *Id.* at 1310-11.

In *United States v. Pinelli*, 890 F.2d 1461 (10th Cir. 1989), *cert. denied*, 495 U.S. 960 (1990), a "post-it" tab which essentially reiterated the government's contentions was inadvertently sent to the jury. The Tenth Circuit held that the conscientiousness of the jury, along with the cautionary instruction of the trial court, rendered the alleged error harmless. *Id.* at 1474.

Finally, in *People v. Bieber*, 835 P.2d 542 (Colo. App. 1992), *cert. denied*, 114 S.Ct. 716 (1994), the parties had stipulated that defendant had submitted to a drug test on the day of the murder with which defendant was charged, and that the test showed that amphetamines were not present in defendant's body. Nonetheless, a small plastic bag containing white powder, which had not been introduced into evidence, was found inside one of the People's exhibits sent to the jury room. Despite an affidavit submitted by a juror stating that the juror was aware of the bag in the jury room as well as the fact that it was not admitted into evidence, the Court held that this error did not rise to the level of plain error warranting a new trial. *Id.* at 547.

After careful review of the applicable case law and the jury instructions given in the instant case as a whole, Defendants' *Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19* is denied.

4. Defendants' *Motion For Remittitur Or, In The Alternative, A New Trial For Lost Profits* And 5. *Defendants' Motion*

For Renewal Of Judgment As A Matter Of Law Or, In The Alternative, Remittitur Or A New Trial For Lost Projected Profits

Defendants move for remittitur, or in the alternative, a new trial for lost profits and lost projected profits. Defendants argue that the verdict for lost profits and lost projected profits in the amounts of $1,101,240 and $10,150,000 respectively is against the clear weight of the evidence and as such, substantial justice is absent. Defendants assert that it is impossible to determine what numbers the jury used in its calculation of the awards or how the awards were computed. In summary, Defendants contend that the lost profits and lost projected profits awards are not supported by the evidence and therefore, the Court should either reduce the awards or grant Defendants' request for a new trial.

In response, Plaintiffs contend that testimony was offered at trial to the effect that Plaintiffs' damages were in the multiple millions of dollars. Plaintiffs argue that the awards total approximately one third of the damages shown by Plaintiffs' evidence and are therefore not excessive.

The decision of whether to order a remittitur "rests within the sound discretion of the trial court." *Garrick v. City and County of Denver*, 652 F.2d 969, 971 (10th Cir. 1981). Under federal law, remittitur is not proper "unless the amount of damages awarded is so excessive that it shocks the judicial conscience." *O'Gilvie v. Int'l Playtex, Inc.*, 821 F.2d 1438, 1448 (10th Cir. 1987), *cert. denied*, 486 U.S. 1032 (1988), (*citing Malandris v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 703 F.2d 1152, 1168 (10th Cir. 1981)

cert. denied, 464 U.S. 824 (1983)). Remittitur may be appropriate where the amount awarded by the jury exceeds the amount established by the evidence. *K-B Trucking Co. v. Riss Int'l Corp.*, 763 F.2d 1148, 1163 (10th Cir. 1985) (*quoting Goldstein v. Manhattan Indus. Inc.*, 758 F.2d 1435, 1448 (11th Cir. 1985)).

Plaintiffs claimed damages in three markets: the retail market, premium incentive market and the advertising specialty market. The retail market involves sales to regular customers. The premium incentive market provides products at a substantial savings to consumers who have responded to special advertising offers or have bought other products for which they are rewarded by the sale to them of the premium incentive product. In the advertising specialty market, the product bears the logo or trademark of the company using the product and is usually given away free to the company's customers rather than sold.

Douglas MacLachlan, PhD., an expert in the area of marketing and damages in the retail market, testified that damages in the retail sales market were approximately $9.5 million. TR 219:16-222:23. George Kling, an expert in the areas of marketing and damages in the premium incentive market, testified that Defendants' infringement caused more than $11 million in damages in the premium market. TR 336:10-337:16. Glen Holt, an expert in the area of marketing and damages in the advertising specialty market, testified to over $11 million in damages in the ad specialty market. TR 272:2. Plaintiffs claimed approximately $31 million in total damages. In light of the evidence presented, we cannot say that the jury's award of $11 million in total damages was excessive. Succinctly

stated, substantial evidence supports this award. Hence, Defendants' request for remittitur as to the lost profits and lost projected profits awards is denied.

A motion for a new trial alleging a verdict contrary to the weight of the evidence requires a review of the facts presented at trial and such review is "committed to the sound discretion of the trial court." *In Re Air Crash Disaster At Stapleton Int'l Airport*, 720 F. Supp. 1467, 1485 (D. Colo. 1989) (*citing Black v. Hieb's Enterprises, Inc.*, 805 F.2d 360, 362-63 (10th Cir. 1986)). A new trial may be granted if it is reasonably clear that prejudicial error has occurred or that substantial justice has not been done. *Anthony v. Baker*, 808 F. Supp. 1523, 1525 (D. Colo. 1992). However, the trial judge must be convinced that a mistake has occurred in light of all the evidence. *Id.* The Court cannot substitute its judgment for that of the jury. *See Holmes v. Wack*, 464 F.2d 86 (10th Cir. 1972). Absent some indication that "improper cause invaded the trial, the jury's determination of the fact is considered inviolate." *In Re Air Crash Disaster At Stapleton Int'l Airport*, 720 F. Supp. 1467, 1485 (D. Colo. 1989) (*quoting Barnes v. Smith*, 305 F.2d 226, 228 (10th Cir. 1962)); *Metcalfe v. Atchison, Topeka and Sante Fe Ry Co.*, 491 F.2d 892, 898 (10th Cir. 1973).

The jury award in the instant action is not "clearly, decidedly, or overwhelmingly against the weight of the evidence." *In Re Air Crash*, 720 F. Supp. at 1485. Colorado is committed to the principle that jury awards are not set aside "unless the damages awarded are grossly and manifestly excessive or, on the other hand, are grossly and manifestly inadequate." *Gibbons v. Choury*, 455 P.2d 649,

650 (Colo. 1969). The jury's award was not grossly excessive, monstrous or based only upon speculation or guesswork. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1581 (Fed. Cir. 1992). Plaintiffs presented evidence on every aspect of the damages they believe they suffered and the jury returned a verdict for an amount less than the amount which Plaintiffs requested. Accordingly, Defendants' request for a new trial is denied.

Defendants also move to renew their motion for judgment as a matter of law. The standard of review for such a motion is whether substantial evidence was present at trial whereby a reasonable jury could have rendered the verdict reached by this jury. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1569 (Fed. Cir. 1992). The Court is to review the evidence in the light most favorable to the Plaintiffs, the nonmoving party. *Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1548 (Fed. Cir. 1994). Defendants have failed to show that "on the entirety of the record reasonable persons could not have found the facts necessary" to support the jury's verdict in this case. *Id.* at 1549. Accordingly, Defendants' *Motion For Renewal Of Judgment As A Matter Of Law* is denied.

ACCORDINGLY, it is ORDERED that:

(1) Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate*, filed October 28, 1994 is DENIED;

(2) Defendants' *Motion To Amend The Judgment*, filed October 28, 1994 is DENIED;

(3) Defendants' *Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19*, filed October 28, 1994 is DENIED;

(4) Defendants' *Motion For Remittitur Or, In The Alternative, A New Trial For Lost Profits,* filed October 28, 1994 is DENIED; and

(5) Defendants' *Motion For Renewal Of Judgment As A Matter Of Law Or, In The Alternative, Remittitur Or A New Trial For Lost Projected Profits,* filed October 28, 1994 is DENIED.

Dated this 6th day of December, 1994, at Denver, Colorado.

BY THE COURT:

/s/ Sherman G. Finesilver
Sherman G. Finesilver, Judge
United States District Court

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 90-F-727

PHILLIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a ATICO,

Defendants.

FINAL JUDGMENT
(Filed Oct. 20, 1994)

THIS ACTION came on for trial before the Court and a jury of eight beginning on October 11, 1994, the Honorable Sherman G. Finesilver, District Judge, presiding, the jury returned its verdict for damages for the plaintiffs on October 18, 1994 for the following amounts. Accordingly, it is

1. ORDERED AND ADJUDGED that judgment be entered upon the verdicts of the jury returned on October 18, 1994, in favor of the plaintiffs Phillip Oiness and Sun Products Group, Inc., and against the defendants Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico in the following respective amounts:

(a) that plaintiffs, Phillip Oiness and Sun Products Group, Inc., recover of defendants, Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico, the sum of One Million, One Hundred One Thousand, Two Hundred-Forty Dollars and 00/100 ($1,101,240.00) for Total Lost Profits.

(b) that plaintiffs, Phillip Oiness and Sun Products Group, Inc., recover of defendants, Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico, the sum of Ten Million, One Hundred Fifty Thousand Dollars and 00/100 ($10,150,000.00) for Total Lost Projected Profits.

(c) that plaintiffs, Phillip Oiness and Sun Products Group, Inc., recover of defendants, Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico, the total sum of Eleven Million, Two Hundred Fifty-One Thousand, Two Hundred Forty Dollars and 00/100 Dollars ($11,251,240.00) plus prejudgment interest to be calculated at the rate of 8% per annum from April 26, 1987 to the date of entry of this judgment. It is

2. FURTHER ORDERED AND ADJUDGED that the Verdict Form returned on October 18, 1994 is incorporated into this Final Judgment by this reference. This

Final Judgment for the amount set forth above in paragraph 1(c) is entered against defendants on the basis of the Verdict Form. It is

3. FURTHER ORDERED that post-judgment interest shall accrue at the legal rate of 6.06% per annum from the date of entry of judgment. It is

4. FURTHER ORDERED that plaintiffs shall have their costs upon filing of a Bill of Costs with the Clerk of this Court within ten (10) days of the entry of judgment.

DATED at Denver, Colorado this 20th day of October, 1994.

FOR THE COURT:

JAMES R. MANSPEAKER, CLERK

By: /s/ Stephen P. Ehrlich
Stephen P. Ehrlich,
Chief Deputy Clerk

APPROVED AS TO FORM:

/s/ Sherman G. Finesilver
Sherman G. Finesilver,
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 90-F-727

PHILIP OINESS, an Individual residing in the State of Washington, and SUN PRODUCTS GROUP, INC., A Washington corporation,

Plaintiffs,

v.

WALGREEN COMPANY, an Illinois corporation, ATICO INTERNATIONAL INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Defendants.

VERDICT FORM

Verdict Form

We, the Jury, award damages for patent infringement in the following categories against the Defendants Walgreen and Atico:

	Column A Lost Profits
Damages in the retail sales market	$1,101,240.00
Total Lost Profits:	$1,101,240.00

Column B Lost Projected Profits	
Damages in the retail sales market	$1.4 MILLION
Damages in the premium incentive market	$750,000.00
Damages in the advertising speciality market	$8.0 MILLION
Total Lost Projected Profits:	$10,150,000.00 CNK

Total Damages Adding Column A (Total Lost Profits) and Column B (Total Lost Projected Profits):

$11,251,240.00

Dated this 18 day of October, 1994:

/s/ Jos. Moehmel
Foreperson

/s/ Marilyn J. Elrod
Juror

/s/ Keiese Angell
Juror

/s/ Maria P. Tresel
Juror

/s/ Michael O. VanDonn
Juror

/s/ Joyce K. Roach
Juror

/s/ Camalia Candelarie
Juror

/s/ Pamila C. Frazier
Juror

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Judge Daniel B. Sparr

Civil Action No. 90-S-727

PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs,

v.

WALGREEN COMPANY, an Illinois corporation;
ATICO INTERNATIONAL INCORPORATED f/k/a
J & M ENTERPRISES d/b/a ATICO;
NEW ATICO INTERNATIONAL, LTD. d/b/a
NEW ATICO a/k/a ATICO,

Defendants.

ORDER AMENDING JUDGMENT

(Filed Sep. 24, 1996)

THIS MATTER comes before the court on: (1) the Defendants' Motion to Amend Court's Judgment of August 22, 1996 Pursuant to Fed. R. Civ. P. 59(e); and (2) the Defendants' Motion to Compel Plaintiffs to Pay the Cost of the Premium on the Supersedeas Bond Defendants Obtained as Security Pending Appeal, Pursuant to Rule 39(e) Fed. R. App. P., both filed August 28, 1996. The court has reviewed the motions, the Plaintiffs' responses (filed September 20, 1996), the entire case file, and the applicable law and is fully advised in the premises.

In April of 1991, a jury awarded the Plaintiffs damages for patent infringement. The damages award was then trebled by the trial court, for a total award of

$900,000.00. *Oiness v. Walgreen Co.*, 774 F.Supp. 1277 (D.Colo. 1991). On appeal, the Federal Circuit Court of Appeals affirmed the finding of liability but vacated the damage award and remanded the case. *Oiness v. Walgreen Co.*, 980 F.2d 742 (Fed. Cir. 1992), *cert. denied*, 507 U.S. 1032 (1993).

In October of 1994, on retrial on the issue of damages, a jury awarded Plaintiffs approximately $11 million in damages for actual lost profits and projected lost profits. The Plaintiffs also received pre-judgment and post-judgment interest. On appeal, the Federal Circuit Court of Appeals reversed in part, vacated in part, and remanded in part. *Oiness v. Walgreen*, 88 F.3d 1025, 1034 (Fed. Cir. 1996).

In accordance with the remand from the Federal Circuit, the district court, on August 22, 1996, entered judgment for the Plaintiffs in the amount of $220,567.00. The district court indicated that: (1) should the Plaintiffs accept the remittitur within sixty (60) days of the date of the August 22, 1996 Order, judgment as modified would be final, or (2) should the Plaintiffs not accept the remittitur, a new trial would be granted "solely on the issue of damages." The Defendants first ask the court to amend its August 22, 1996 judgment to clarify that retrial is available only as to claims of *actual* damages and that the claims of projected lost profits were reversed in their entirety.

The Plaintiffs, citing *Oiness*, 88 F.3d at 1030, argue that the Federal Circuit afforded them "a new trial on damages." First, however, the language regarding "a new trial on damages" is contained within the section of the

opinion that addresses actual sales. *Oiness*, 88 F.3d at 1028-31. Second, the Federal Circuit specifically remanded "on the issue of actual damages," should the Plaintiffs decline to accept the remittitur. *Oiness*, 88 F.3d at 1034. The Federal Circuit specifically reversed "the jury award for projected lost profits. . . . " *Id.*

The Defendants next argue that, pursuant to Fed. R. App. P. 39(e), the Plaintiffs should pay the cost of the premium on the supersedeas bond. Fed. R. App. P. 39(e) provides:

> the premiums paid for cost of supersedeas bonds . . . shall be taxed in the district court as costs of the appeal in favor of the party entitled to costs under this rule.

Fed. R. App. P. 39(a) provides:

> if a judgment is affirmed or reversed in part, . . . costs shall be allowed only as ordered by the court.

The court declines to order the Plaintiffs to pay the cost of the premiums paid by the Defendants for the supersedeas bonds.

Accordingly, IT IS ORDERED:

1. The Defendants' Motion to Amend Court's Judgment of August 22, 1996 Pursuant to Fed. R. Civ. P. 59(e) is GRANTED. The judgment entered by this court on August 22, 1996 is hereby amended to state that, should the Plaintiffs not accept the remittitur the amount of $220,567.00, a new trial shall be granted solely on the issue of actual damages.

2. The Defendants' Motion to Compel Plaintiffs to Pay the Cost of the Premium on the Supersedeas Bond Defendants Obtained as Security Pending Appeal, Pursuant to Rule 39(e) Fed. R. App. P. is DENIED.

DATED at Denver, Colorado, this 24th day of September, 1996.

BY THE COURT:

/s/ Daniel B. Sparr
Daniel B. Sparr
United States District Judge

No. 96-872

(2)

Supreme Court, U.S.
FILED
JAN 2 1997
CLERK

In The

Supreme Court of the United States

October Term, 1996

PHILLIP OINESS AND SUN PRODUCTS GROUP, INC.,

Petitioners,

vs.

WALGREEN COMPANY, ATICO-INTERNATIONAL INCORPORATED, f/k/a J&M ENTERPRISES, d/b/a ATICO, AND NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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30 pp

QUESTION PRESENTED

Petitioners' lengthy statement of the questions presented attempts to create issues of constitutional law and to manufacture conflicts with Supreme Court precedent and other circuit courts where none exists.

Restated, the question presented is nothing more than whether the Court of Appeals for the Federal Circuit correctly reversed the judgment below because the jury's damage awards of lost profits for patent infringement were based on speculation and conjecture and thus unsupported by the evidence.

RULE 29.6 STATEMENT

The respondents, Walgreen Company, Atico International, Inc., and New Atico International, Inc., do not have any parent companies or nonwholly-owned subsidiaries.

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PRELIMINARY STATEMENT

This case presents no issue worthy of review by the Supreme Court. The decision below does not conflict with the decision of any other court, involves no real issues of constitutional law, and presents no important questions of federal law. The case is merely an instance of an appellate court reviewing a jury verdict on patent damages and determining, in accordance with established standards of review, that the jury's damage awards are unsupported by the evidence.

Although the petitioners (collectively referred to as "Oiness") attempt to create conflicts between the decision below and Supreme Court precedent and to conjure up supposed violations of the re-examination clause of the Seventh Amendment, no such issues actually exist in this case. The Federal Circuit's opinion faithfully adheres to established legal principles concerning the review of jury verdicts. In truth, Oiness's chief complaint is with the Federal Circuit's application of those principles in this particular case. Time after time, he criticizes the opinion below for allegedly misstating the facts or otherwise misunderstanding or disregarding the record evidence.

The purpose of a writ of certiorari, however, is not to correct the supposed factual misstatements or misunderstandings by the courts of appeals. Indeed, Oiness has already brought to the Federal Circuit's attention in a petition for rehearing these same supposed "errors" made by the court in reviewing the evidence. That petition was summarily denied. (Pet. App. at A25-A26). Instead of presenting any true issues worthy of Supreme Court review, Oiness essentially seeks the same rehearing in this Court to correct what he perceives as factual mistakes in the Federal Circuit's opinion.

The petition for writ of certiorari is especially meritless

because of its continuous mischaracterization of the trial record. If the Court were to mistakenly grant the petition based on the issues presented by Oiness, it would later discover that the case is nothing like that described in his petition for certiorari. Although the misstatements by Oiness are too numerous to respond to one by one, the following brief statement of the case should serve to correct any erroneous impressions created by the petition.

STATEMENT OF THE CASE

This is a suit for infringement of a patent on an inexpensive consumer product called a "Headchair," which is a small folding headrest for use at the beach. The respondents, Walgreen Company, Atico International, Inc., and New Atico International, Ltd. (collectively referred to as "Walgreen"), sold approximately 142,000 headrests which were found to infringe U.S. Patent No. 4,544,203. Walgreen sold the headrests at an average price of $1.20 to $1.25, for total gross sales of about $180,000.

The petitioners, Phillip Oiness and Sun Products Group, Inc., claimed that their profit on the "Headchair" was $1.33. Multiplying the number of headrests sold by Walgreen by $1.33 resulted in a total of approximately $189,000 in lost profits to Oiness. Since Walgreen had an additional 23,610 headrests left in the stores that were unaccounted for, the maximum number of headrests it could have sold was actually around 166,000, resulting in potential lost profits to Oiness of approximately $221,000.

Nevertheless, on a retrial of damages for patent infringement in 1994 — the first jury had awarded $300,000 in a trial in 1991 — a second jury awarded *over $11 million*. Specifically, the jury awarded actual lost profits of $1,101,240 in the retail market, which grossly exceeded any possible lost profits based

on Walgreen's sales. The jury further awarded *projected* lost profits of $1.4 million in the retail market, $750,000 in the premium market, and an incredible *$8 million* in the advertising specialty market. The total amount of the jury award was $11,251,240 — over 60 times the amount of Walgreen's sales.

The jury rendered its verdict despite the fact that Sun Products itself, throughout its short history from 1984 until it went out of business in 1987, had never made sales approaching anything like those reflected in the damage award. Indeed, the business failed completely in 1987, due to infringement of the patent by a *different* competitor, B&E Sales Co., from whom Oiness and Sun Products have already recovered substantial damages.

Since Oiness had no actual sales on which to rely, the only possible basis for the jury award of projected lost profits was the testimony of Oiness's damages experts. This testimony consisted of blatant speculation and unsupported opinions lacking any proper basis or evidentiary foundation. Despite the lack of evidence to support the jury awards, the trial court denied Walgreen's motion for remittitur, or in the alternative a new trial, on the jury award of $1.1 million in lost profits based on Walgreen's sales. The court further denied Walgreen's renewed motion for judgment as a matter of law (JMOL) that Oiness could not recover projected lost profits on the record evidence. (Pet. App. at A42-A45). In a single paragraph, the trial court cited the conclusory opinions of Oiness's damages experts and concluded that substantial evidence supported the jury's verdicts. (Pet. App. at A43-A44).

On appeal, the Court of Appeals for the Federal Circuit reversed the judgment in part and vacated and remanded in part. Specifically, the court reversed in its entirety the portion of the jury award for projected lost profits in the retail, advertising

speciality, and premium markets ($10,150,000) as based on speculation and therefore unsupported by substantial evidence. (Pet. App. at A10-A17). The Court vacated the portion of the jury award for lost profits based on Walgreen's actual sales ($1,101,240) and remanded to the district court with instructions either to order judgment in the amount of $220,567, or, alternatively, if Oiness refused to accept the reduction of the award, to grant Oiness a new trial on actual damages based on Walgreen's sales. (Pet. App. at A4-A10).[1]

On actual damages, the Federal Circuit reviewed "for an abuse of discretion the decision denying [the] grant of remittitur or a new trial because of an excessive damage award." (Pet. App. at A5). The court determined that "[t]he record shows conclusively that Walgreen sold 142,230 Headrests," and that Walgreen "presented unrebutted testimony that [Walgreen's] records were the most accurate method to determine the number of Headrests Walgreen had available for sale." (Pet. App. at A8-A9).

In contrast, Oiness presented only pictures of the headrests displayed in three Walgreen stores and a Value Line report for investors, which discussed the vague concept of sales per square foot. From the pictures, Oiness presumed that Walgreen devoted one and a half to two square feet of floor space to the headrests in all 1600 of Walgreen's stores. He then multiplied the presumed floor space in each Walgreen store by $379 per square foot from the Value Line report for a five-year period. (Pet. App. at A7).

The Federal Circuit properly rejected this evidence as "add[ing] vague estimation and gross extrapolation to

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1. The Federal Circuit also reversed the district court's award of prejudgment interest on the future damages portion of the damage award and remanded with instructions that the district court may award interest on the $220,567 award of lost profits. (Pet. App. at A17-A18).

unsupported presumption." (*Id.*). Because the jury's lost profits award of $1,101,240 was not based on substantial evidence, the court granted remittitur, remanding the case to the district court with instructions either to order judgment in the amount of $220,567, or, if Oiness refused to accept the reduction of the award, to grant Oiness a new trial on actual damages based on Walgreen's sales.

In his petition for writ of certiorari, Oiness attacks this portion of the Federal Circuit's opinion, as he did in his petition for rehearing, as "incorrect on every stated point." (Pet. at 6). Although he refers to unidentified "contrary testimony of several witnesses and two experts" (*id.*), there is no basis for challenging the correctness of the Federal Circuit's opinion concerning the record. Oiness simply failed to provide sufficient evidence to support the jury verdict of $1.1 million in lost profits based on Walgreen's actual sales.

In outright reversing the jury awards for projected lost profits in the retail, advertising specialty, and premium markets, the Federal Circuit cited and applied the appropriate standard of review on denial of a renewed motion for judgment as a matter of law (JMOL). Specifically, the court stated the standard of review as follows:

> In considering a motion for JMOL, a trial court reviews the record for substantial evidence to support the jury's verdict. *Federal Deposit Ins. Corp. v. United Pacific Ins. Co.*, 20 F.3d 1070, 1082 (10th Cir. 1984).
>
> On appeal from a decision on a motion for JMOL, this court must review the record for substantial evidence. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1240, 9 USPQ2d

> 1913, 1924 (Fed. Cir.), *cert. denied*, 493 U.S. 853 (1989).

(Pet. App. at A6).

Applying this standard, the Federal Circuit determined that the jury's awards for projected lost profits in the retail, advertising specialty, and premium markets were unsupported by substantial evidence. In each instance, the court determined that the opinions of Oiness's various damages experts rested on faulty assumptions and were not otherwise supported by the record. And in each instance, the court's opinion correctly summarized the outlandish speculation engaged in by these expert witnesses.

For example, the Federal Circuit determined that the projections of Oiness's expert witness, Douglas MacLachlan, for projected lost profits in the retail market "rest[ed] on faulty assumptions and a lack of reliable economic testimony relevant to this market." (Pet. App. at A13). As the court recognized, MacLachlan's projections improperly relied on figures from the first months after the Headchair's introduction into the marketplace to extrapolate an increasing demand over future years. In particular, there was no evidence to show that these early sales "actually represented sales to customers over this brief period, as opposed to large initial sales to retail outlets which might have languished on store shelves for months." (Pet. App. at A13). Furthermore, MacLachlan admitted that he did not conduct any market surveys of the Headchair, but relied on personal conjecture regarding future sales. (*Id.*). Thus, the court concluded that the record did not support the jury's award of $1.4 million in projected lost profits in the retail market.

As he did in his petition for rehearing to the Federal Circuit, Oiness again attacks the court's opinion on these points. (See

Pet. at 7-8). In particular, he criticizes the portion of the opinion dealing with MacLachlan's testimony, calling it "absurd" and "egregiously false" (Pet. at 8), but never actually demonstrating that it is wrong. To the contrary, a review of MacLachlan's testimony and the chart he prepared (Ct. App. JA A2389) shows just how outlandish his projections actually were. MacLachlan initially projected a 150% increase in 1987 for a six-month period from the first half to the second half of 1987. On an annual basis, that translates to an increase of 300%, or quadrupling of sales in a year. His projected unit sales for 1988 were 258,000, as compared to actual sales in 1987 of only 75,000, an increase of over three times. Moreover, MacLachlan predicted that the annual sales of 258,000 units in 1988 would increase to over 1.2 million units in 2002 — another fourfold increase. Thus, the Federal Circuit correctly concluded that MacLachlan's projections of "more than a doubling of annual sales" and that "Headchair sales would quadruple and double throughout the life of the patent" were unsupported by any economic reasoning. (Pet. App. at A12-A13). Nothing in Oiness's petition undermines any of these conclusions.

Similarly, the Federal Circuit determined that the testimony of Oiness's expert witness in the advertising specialty market, Glen Holt, could not support the jury's damage award of $8 million. (Pet. App. at A14-A15). In particular, the court noted that Holt did not take into account B&E's infringement when projecting lost profits in the advertising specialty market, which was fatal to his predictions. (Pet. App. at A14). Moreover, Holt did no market analysis to determine if market forces, other than infringement, had any effect on his projections of multi-million dollar annual sales and profits. (Pet. App. at A15). The court concluded, "[w]ithout more reliable market analysis, Holt provided no more than speculation upon which the jury cannot base an award." (*Id.*).

As he did in his petition for rehearing, Oiness again attacks this portion of the Federal Circuit's opinion, accusing the court of disregarding "the substantial testimony of an established advertising specialty business" (Pet. at 9), without ever identifying that testimony. In a particularly egregious misstatement of the record, Oiness criticizes the Federal Circuit's opinion for stating that "Holt admitted that he did not take into account" the previous infringement by B&E sales, and asserts to the contrary that "Holt clearly testified as to his specific consideration of B&E's influence." (*Id.*). Nothing could be further from the truth. Holt specifically testified on cross-examination as follows:

> Q. Your projections were given to us on July 15, when your deposition was taken. Is that correct?
>
> A. I believe that's correct.
>
> . . . .
>
> Q. Okay. And as of July 15, 1994, when you gave us your projections, you didn't know even about the existence of B&E. Isn't that correct?
>
> A. Only what was in the exhibits that I saw early on that there was a mention of a B&E, but it did not — t doesn't mean anything to my projections.
>
> Q. Right. So whatever B&E did one way or the other, you didn't know enough about it to take into account in your projections; is that correct?

A. B&E didn't mean anything.

Q. So you didn't take it into account in your projections; correct?

A. No.

Q. "No" means you didn't take them into account?

A. I did not.

(Ct. App. JA at A1279-A80). Thus, the Federal Circuit was clearly correct in stating that Holt did *not* take into account B&E's infringement.

Similarly, the Federal Circuit determined that Oiness's expert witness in the premium market, George Kling, "did not factor the B&E infringement into his calculation" of projected lost profits, which necessarily invalidated his predictions. (Pet. App. at A16). Once again, Oiness challenges this statement without citation to the trial record. (Pet. at 10). A review of that record, however, reveals that Kling specifically testified that he had assumed the B&E infringement did not have an effect on Sun Products' ability to operate in the premium market. (Ct. App. JA at A1349). Indeed, Kling's projections were not based on any information that was specific to the "Headchair." Rather, he made his projections "[o]n the basis of a typical product that had an appeal as a consumer premium." (Ct. App. JA at A1336). Furthermore, Kling's chart showing his lost profits projections in the premium market was not specifically directed to the "Headchair," but rather to some generic premium product. (Ct. App. JA at A1339-A1343). Thus, the Federal Circuit was entirely correct in stating that Kling did not factor the B&E infringement into his calculation of damages.

In sum, the Federal Circuit determined under the appropriate standards of review that the jury's damages awards were unsupported by the evidence and reversed the judgment.

REASONS FOR DENYING THE WRIT

I.

THE DECISION BELOW DOES NOT CONFLICT WITH *GASPERINI* OR THE SEVENTH AMENDMENT.

Oiness asserts that the decision below conflicts directly with this Court's recent decision in *Gasperini v. Center for Humanities, Inc.*, 116 S. Ct. 2211 (1996), and the re-examination clause of the Seventh Amendment. (Pet. at 11-13). To the contrary, the Federal Circuit's opinion is entirely consistent with both this Court's precedent and the Seventh Amendment.

In *Gasperini*, this Court held that the Seventh Amendment re-examination clause is not violated when a denial of a new trial on damages is reviewed for an abuse of discretion. 116 S. Ct. at 2223-24. Consistent with *Gasperini*, the Federal Circuit expressly stated in the opinion below that it was reviewing the district court's denial of Walgreen's motion for new trial on actual lost profits under the abuse of discretion standard. (Pet. App. at A5).

Though not clearly stated, Oiness seems merely to be complaining that the Federal Circuit did not apply the abuse of discretion standard properly in reviewing the denial of the motion for new trial. That is not a basis for granting certiorari. Moreover, Oiness's premise that, instead of reviewing the district court's decision for an abuse of discretion, the Federal Circuit improperly engaged in a *de novo* review of the facts in violation of the Seventh Amendment, is simply untrue.

As an elementary principle of appellate review, the trial court necessarily abuses its discretion when it relies on an error of law. *Koon v. United States*, 116 S. Ct. 2035, 2047 (1996) (citing *Cooter & Gell v. Hartmarx*, 496 U.S. 384, 405 (1990)). Because the district court failed to recognize that the record did not contain legally sufficient evidence to support the jury damage award for actual lost profits, the Federal Circuit necessarily found that it abused its discretion in refusing to grant a new trial on damages.[2] Oiness was unable to point to any evidence in the record to support the jury's excessive award for actual lost profits. Because of this clear legal error, the district court abused its discretion when it did not grant a new trial on actual damages.

Oiness also attempts to engineer a conflict between the decision below and *Gasperini* based on a misguided reading of that case. Oiness takes the view that, under *Gasperini*, the re-examination clause of the Seventh Amendment establishes the abuse of discretion standard for appellate review of all jury verdicts on damages, even when appealed from a denial of a JMOL motion. (Pet. at 22). This reading of *Gasperini* would radically alter the course of well-established jurisprudence on reviewing decisions on JMOL motions, *see* Steven A. Childress *et al., Federal Standards of Review* § 3.01, at 3-6 & n.18 (2d ed. 1992) (citing numerous appellate court cases establishing *de novo* review over lower court decisions on JMOL motions), which was clearly not the Court's intention. Rather, the Court in *Gasperini* was concerned only with appeals from district court

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2. Oiness attempts to fault the Federal Circuit for not mentioning the district court's "review of the evidence." (Pet. at 5, 7). The district court's "review," however, consisted of a single paragraph, citing the conclusory opinions of Oiness's experts in a single sentence devoted to each. (Pet. App. at A43-A44). Since the Federal Circuit held that the experts' opinions were wholly speculative and unsupported, nothing more needed to be said about the district court's evidentiary "review."

decisions on whether to grant a new trial on damages. This is readily apparent from the opinion in *Gasperini*, which discusses the grant of new trials under Fed. Rule Civ. P. 59(a) and appellate review of a trial court's discretion to grant a new trial. 116 S. Ct. at 2222-24. Nowhere does the Court mention, or even suggest, that this standard should also be applied to appeals from lower court decisions on JMOL motions.

Applying the "substantial evidence" standard to the denial of the JMOL motion on future lost profits, the Federal Circuit determined in the decision below that the jury's damage award was based upon speculation and, as a matter of law, could not stand. This Court has warned that, while damages need not be proven with certainty, they cannot be based upon speculation or guess. *Story Parchment Co. v. Paterson Paper Co.*, 282 U.S. 555, 563 (1931). Here, Oiness relied primarily on the testimony of several expert witnesses, who testified on the amount of damages they believed Oiness had suffered. After finding the bases of their testimony speculative and unfounded, however, the Federal Circuit concluded that their testimony could not support the jury's verdict on damages.

This Court recently reached the same conclusion in another case, *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209 (1993), in which the Court upheld a decision overturning a jury verdict, even though the verdict winner presented testimony from an economic expert supporting its theory of liability. In rejecting the expert testimony as substantial evidence to support the verdict, the Court stated, "When an expert opinion is not supported by sufficient facts to validate it in the eyes of the law, or when indisputable record facts contradict or otherwise render the opinion unreasonable, it cannot support a jury's verdict." *Id.* at 242.

Oiness also attempts to show that the Federal Circuit

engaged in impermissible *de novo* review, rather than substantial evidence review, by listing various words and phrases that it contends demonstrate the Federal Circuit's usurpation of the jury's fact finding role. Oiness's attempt, however, is aborted by this Court's nearly identical analysis in *Brown & Williamson*. There, the Court found that substantial evidence did not exist to support the jury's award and, in doing so, used words similar to the ones listed by Oiness, such as "undisputed," *id.* at 235-36, "ignores," *id.* at 236, "equally consistent," *id.* at 237, "little, if any, weight," *id.* at 237-38, "suggest," *id.* at 239, "improbable," *id.*, "implausible," *id.*, "natural and probable consequence," *id.* at 240, "apparent objective," *id.*, "might," *id.* at 240-41, and "likelihood . . . is . . . low," *id.* at 241. Consequently, use of these words does not signal impermissible substitution of the reviewing court's view of the facts, as Oiness would have this Court believe.

When stripped to its essentials, Oiness's petition presents no constitutional question or other issue worthy of Supreme Court review. The Federal Circuit's legal analysis is entirely consistent with this Court's precedent and the Seventh Amendment. In truth, Oiness is simply dissatisfied with the Federal Circuit's application of well-established rules concerning appellate review of jury verdicts on motions for new trial and JMOL and would prefer a different outcome. Granting certiorari merely to allow Oiness to reargue his case in the Supreme Court, in the vain hope of achieving a different result, is clearly inappropriate. The petition should therefore be denied.

II.

THE FEDERAL CIRCUIT HAS NOT ENGAGED IN A PATTERN OF IMPERMISSIBLE FACT FINDING.

Oiness argues that the decision below is indicative of a

pattern of cases in which the Federal Circuit has dubbed itself the ultimate trier of fact. (Pet. at 16-18). None of the selective quotations supplied by Oiness in his petition, however, lends any credence to this argument. Instead, these quotations reflect the Federal Circuit's exercise of its duty to ensure that jury verdicts are supported by legally sufficient evidence.

In *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992), cited by Oiness (Pet. at 16), the Federal Circuit emphasized that the focus of the question raised by the "substantial evidence" standard is reasonability. *Id.* at 821. This is, of course, entirely consistent with this Court's decision in *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938) ("reasonable mind"), and Fed. R. Civ. P. 50(a) ("reasonable jury"). Similarly, the language quoted by Oiness (Pet. at 17) from *Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575 (Fed. Cir. 1995), and *Imagineering, Inc. v. Van Klassens, Inc.*, 53 F.3d 1260 (Fed. Cir. 1995), shows nothing more than the Federal Circuit's application of the reasonableness standard. The other two cases cited by Oiness, *Modine Mfg. Co. v. Allen, Inc.*, 917 F.2d 538 (Fed. Cir. 1990), and *In re Beattie*, 974 F.2d 1309 (Fed. Cir. 1992) (Pet. at 18), are both cases in which the Federal Circuit *affirmed* the decisions on appeal and did not substitute its own view of the facts. Thus, the cases cited by Oiness clearly do not support his theory of a "pattern" of improper fact finding by the Federal Circuit.

If anything, the Federal Circuit's opinions reflect a strong tendency to defer to the jury's findings on damages. Faced numerous times with challenges to the sufficiency of the evidence supporting jury damage awards in patent infringement suits, the Federal Circuit has repeatedly affirmed those awards after finding them supported by substantial evidence. *See, e.g., Maxwell v. J. Baker, Inc.*, 86 F.3d 1098 (Fed. Cir. 1996) (affirming district court's denial of JMOL motion on damages);

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 72 F.3d 857 (Fed. Cir. 1995) (affirming district court's denial of JMOL motion on damages); *Snellman v. Ricoh Co. Ltd.*, 862 F.2d 283 (Fed. Cir. 1988) (finding that jury's earlier damage award was supported by substantial evidence), *cert. denied*, 491 U.S. 910 (1989); *Shatterproof Glass Corp. v. Libbey Owens Ford Co.*, 758 F.2d 613 (Fed. Cir.) (affirming district court's denial of motion concerning damages), *cert. dismissed*, 474 U.S. 976 (1985); *Weinar v. Rollform Inc.*, 744 F.2d 797 (Fed. Cir. 1984) (affirming district court's denial of JNOV motion on damages), *cert. denied*, 470 U.S. 1084 (1985); *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604 (Fed. Cir.) (affirming district court's denial of new trial on damages), *cert. denied*, 469 U.S. 1038 (1984).[3]

In any event, Oiness's argument that the Federal Circuit has engaged in improper fact finding *in other cases* is no reason for the Court to take *this case*. Even assuming that the Federal Circuit desperately needs supervision by this Court, the present case is not the appropriate one for exercising supervisory review. Here, the Federal Circuit, applying the correct standard of review, simply determined that Oiness had not provided substantial evidence to support the jury verdict, but instead had relied on unsupported assumptions and speculation. Nothing in

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3. The Federal Circuit reached the same result in a number of other "nonprecedential" decisions, *see, e.g., Kaspar Wire Works, Inc. v. K-Jack Engineering Co., Inc.*, Nos. 95-1095, 95-1115, 1995 WL 662674 (Fed. Cir. Nov. 9, 1995) (nonprecedential) (finding substantial evidence to support jury's damage award); *Lemelson v. Champion Spark Plug Co.*, No. 91-1511, 1992 WL 158862 (Fed. Cir. 1992) (nonprecedential) (affirming district court's denial of new trial on damages); *Gavin v. Star Brite Corp.*, 10 USPQ2d 1253 (Fed. Cir. 1988) (nonprecedential) (finding substantial evidence to support jury damage award). Although such nonprecedential opinions may not be "employed or cited as precedent," Fed. Cir. R. 47.6(b), they represent decisions of the court and further dispel the notion that the Federal Circuit has engaged in a "pattern" of fact finding in derogation of jury damage awards.

the court's opinion suggests that it improperly invaded the province of the jury in overturning the damage awards. Having failed to introduce appropriate evidence of the amount of supposed lost profits, Oiness should not be heard to complain about the failure to give appropriate deference to a jury verdict for which he provided no substantial evidence. No basis exists for granting certiorari in this case.

III.

THE DECISION BELOW APPLIED THE CORRECT LAW ON THE STANDARD OF REVIEW.

Oiness next argues that the Federal Circuit failed to apply the Tenth Circuit's standard of review in reviewing the district court's denial of the motion for JMOL. (Pet. at 20-22). In doing so, however, Oiness has incorrectly assumed, without citing any authority, that the law of the Tenth Circuit determines the standard of review because such review is "an area of law outside the Federal Circuit's jurisdiction." (Pet. at 20). To the contrary, applying the choice of law rule set forth in the Federal Circuit's decision in *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850 (Fed. Cir. 1991), *cert. denied*, 112 S. Ct. 2957 (1992), leads to a selection of the Federal Circuit's law on the standard of review in this case.

In *Biodex*, the Federal Circuit held that it would apply its own law, rather than the law of the regional circuit where the district court is located, when "there is an essential relationship between [the court's] exclusive statutory mandate or our functions as an appellate court and the relevant procedural issue." *Id.* at 858. Thus, the court concluded that the standard of review of a jury verdict absent any post-verdict motion should be decided under Federal Circuit law, since the issue "bears an essential relationship to matter's committed to [the court's]

exclusive control by statute, the appellate review of patent trials." *Id.* at 858-59. Applying this same analysis to review of a jury verdict based on a post-verdict renewed motion for JMOL, the same conclusion is reached — the Federal Circuit's standard of review applies. *See, e.g., Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1563 (Fed. Cir. 1996) (applying Federal Circuit law to standard of review of denial of JMOL motion); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 975 (Fed. Cir. 1995) (*in banc*), *aff'd*, 116 S. Ct. 1384 (1996).

Notwithstanding Oiness's failure even to consider the choice of law rules followed by the Federal Circuit, his argument is unavailing for other reasons. First, in the decision below, the Federal Circuit specifically cited two Tenth Circuit cases, *K-B Trucking Co. v. Riss Int'l Corp.*, 763 F.2d 1148 (10th Cir. 1985), and *Federal Deposit Ins. Corp. v. United Pacific Ins. Co.*, 20 F.3d 1070 (10th Cir. 1994), for the standard of review to be applied. (Pet. App. at A5-A6).[4] Although the Federal Circuit did not cite any of the additional Tenth Circuit cases now cited in Oiness's petition,[5] in all fairness, neither did Oiness cite any

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4. The Federal Circuit also cited several Tenth Circuit cases on the substantive law of damages: *Milgo Elec. Corp. v. United Business Communications, Inc.*, 623 F.2d 645 (10th Cir.), *cert. denied*, 449 U.S. 1066 (1980); *Sunward Corp. v. Dun & Bradstreet, Inc.*, 811 F.2d 511 (10th Cir. 1987); *Malloy v. Monahan*, 73 F.3d 1012 (10th Cir. 1996); *United States v. Griffith, Gornall & Carman, Inc.*, 210 F.2d 11 (10th Cir. 1954) (Pet. App. at A10-A11).

5. *Symons v. Mueller Co.*, 493 F.2d 972 (10th Cir. 1974); *Devery Implement Co. v. J.I. Case Co.*, 944 F.2d 724 (10th Cir. 1991); *Hurd v. American Hoist & Derrick Co.*, 734 F.2d 495 (10th Cir. 1984); *Yazzie v. Sullivent*, 561 F.2d 183 (10th Cir. 1977); *Thompson v. Kerr-McGee Refining Corp.*, 660 F.2d 1380 (10th Cir. 1981); *Frank v. Bloom*, 634 F.2d 1245 (10th Cir. 1980); *Joyce v. Atlantic Richfield Co.*, 651 F.2d 678 (10th Cir. 1981); *Stringer v. Dilger*, 313 F.2d 536 (10th Cir. 1963); *State Office Sys. v. Olivetti Corp. of Am.*, 762 F.2d 843 (10th Cir. 1985) (Pet. at 20-22).

of these cases in his brief to the Federal Circuit. Instead, Oiness merely cited a Federal Circuit case, *Tol-O-Matic, Inc. v. Proma Produkt-und Marketing Gesellschaft m.b.H.*, 954 F.2d 1546 (Fed. Cir. 1991), for the proposition that, "[u]nder 10th Circuit law, upon motion for JMOL and on appellate review, the court will disturb the verdict 'only if the evidence so conclusively favors [the moving party] that reasonable jurors could not arrive at a contrary verdict.' " (Pet. App. Br. at 7). In *Tol-O-Matic*, however, as in the present case, the Federal Circuit cited both Tenth Circuit and Federal Circuit cases regarding the standard of review, and specifically noted that the court had "discerned no significant difference between the Tenth Circuit's Standard of review of jury procedures and that expounded by the Federal Circuit." 945 F.2d at 1540 n.2.

Thus, whether one applies the Federal Circuit standard or the Tenth Circuit standard for reviewing the denial of a JMOL motion, the outcome of this case would not change because these standards are not substantially different. The jurisprudence of both circuits cautions against interfering with the proper role of juries and focuses on whether a jury's verdict is reasonable. *Compare Richardson v. Suzuki Motors Co.*, 868 F.2d 1226, 1235 (Fed. Cir.) (cited by Federal Circuit, Pet. App. at A6) ("[T]he appellate court's function is exhausted when that evidentiary basis [of jury's verdict] becomes apparent, it being immaterial that the court might draw a contrary inference or feel that another conclusion is more reasonable."), *cert. denied*, 493 U.S. 853 (1989), *with Frank v. Bloom*, 634 F.2d 1245, 1254 (10th Cir. 1980) (cited by Oiness, Pet. at 21) ("[R]eviewing courts are not at liberty to set aside jury verdicts merely because the reviewing judges feel that the opposite results seem more reasonable."). Oiness cannot, nor does he even try to, dispute this parallelism between the law of these circuits.

In sum, Oiness has not shown that the Federal Circuit's

decision on the standard of review applied in this case conflicts with the law of any other circuit, including the Tenth Circuit, or that application of the Tenth Circuit's standard of review would have had any effect on the outcome. A grant of certiorari to review the Federal Circuit's decision on this basis is clearly not warranted.

IV.

THE FEDERAL CIRCUIT'S PROCEDURES DO NOT VIOLATE THE SEVENTH AMENDMENT OR DUE PROCESS.

Having launched its full scale attack on the propriety of the Federal Circuit's selection and application of the standard of review, Oiness takes one last shot at the Federal Circuit's appellate procedures. Specifically, Oiness charges that the Federal Circuit's rules governing the contents of the briefs and the joint appendix result in a "gross denial of due process" and a violation of the Seventh Amendment. (Pet. at 24). Oiness argues that these rules do not permit the Federal Circuit to review the record as a whole for sufficiency of the evidence. (Pet. at 22).

Like Oiness's previous arguments, this argument, on its face, lacks merit. The Federal Circuit's rules merely prevent indiscriminate referencing to blocks of record pages and inclusion in the joint appendix of pages not referenced in the brief. *See* Fed. Cir. R. 30(a)(2). These rules do not in any way prohibit a party answering a challenge to the sufficiency of the evidence to include as much supporting evidence as it can, so long as it refers to that evidence in the brief. Oiness had that opportunity here, but was unsuccessful in convincing the appellate court that the evidence was sufficient to support the jury's verdict.

Other circuit courts of appeals have similar or comparable rules limiting the contents of the briefs and appendices. For example, in the Fifth Circuit Court of Appeals, parties may include in the appendix "those parts of the record referred to in the briefs." 5th Cir. Loc. R. 30.1.5. The local rules in the District of Columbia Circuit Court of Appeals prohibit parties from including in the appendix "material of excessive length or items that do not bear directly on the issues raised on appeal." D.C. Cir. R. 30(b). These rules merely permit the courts to resolve appeals expeditiously and unfettered by extraneous evidence and material.

Moreover, the Federal Circuit's rules expressly permit the transmission of the original or certified copies of the entire record or portions thereof from the district court when necessary. *See* Fed. Cir. R. 11(a). The court may order the transmission of the record on motion or sua sponte. *Id.* Oiness made no such motion in the Federal Circuit and should not be heard to complain now, having failed to ask the appellate court to consider the entire record.

Significantly, Oiness has not shown that the Federal Circuit's rules had any effect on the decision in this case. The parties filed a joint appendix of approximately 750 pages, which included over 500 pages from the trial transcript. Oiness does not point to any particular portions of the record below that were excluded by the Federal Circuit's rules and that would have made any difference if they been included in the materials submitted to the Federal Circuit.

By filing a petition for certiorari on such flimsy and facially inadequate grounds, Oiness has trivialized the entire process of seeking Supreme Court review. This case clearly presents no issue concerning the Federal Circuit's rules that is worthy of review on a petition for certiorari. Accordingly, the petition for certiorari should be denied.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

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